

98 annual report

why invest in NOVA Chemicals?

financial highlights

<i>(millions of U.S. dollars, except per share data and ratios)</i>	1998	1997	1996
revenue	2,075	2,285	2,069
net income	18	111	153
net income per share ¹	0.17	1.21	1.66
funds from operations	170	254	281
plant, property and equipment additions	367	223	175
total assets	3,580	2,687	2,635
debt to total capitalization	45.9% ²	40.0%	31.2%
return on average common equity ³	1.4%	9.1%	12.5%

In U.S. dollars unless otherwise specified.

¹ Assumes 92 million common shares outstanding for comparative purposes.

² Debt to total capitalization is 39.7% on a pro forma basis assuming the \$172.5 million 9.04% preferred securities issued January 26, 1999 were issued on December 31, 1998.

³ Net income to common shareholders divided by average common equity, net of advances to parent and affiliates. In the 1998 calculation, common equity excludes the effects of the Huntsman transaction.



NOVA Chemicals

J.M. LIPTON
*President and
Chief Executive Officer*

NOVA CORPORATION

NOVA Chemicals Corporation
P.O. Box 2518, Station M
Calgary, Alberta
Canada T2P 5C6
Offices: 645 Seventh Avenue S.W.
(403) 750-3600
Fax: (403) 269-7410

April 6, 1999

Dear NOVA Chemicals Shareholder:

I am pleased to invite you to attend the annual and special meeting of the common shareholders of NOVA Chemicals Corporation ("NOVA Chemicals") to be held at The Telus Convention Centre, Calgary, Alberta on May 14, 1999 commencing at 10:30 a.m. (Mountain Daylight Savings Time). The items of business that you will be asked to act on are set forth in the enclosed Notice of Annual and Special Meeting and the Management Information Circular of NOVA Chemicals.

In addition to the regular business of receiving financial statements, electing directors and appointing auditors, the common shareholders will be asked to vote on a resolution to confirm the adoption of a new NOVA Chemicals' Shareholders Rights Plan (the "Rights Plan"). The Rights Plan seeks to ensure that all shareholders of NOVA Chemicals are treated equally, that as shareholders you are given the time to properly assess a take-over bid without undue pressure and to allow the Board of Directors time to consider alternatives designed to allow shareholders to receive full and fair value for their shares.

Due to the importance of the decisions being considered at this meeting, your shares should be represented whether or not you are able to attend. Regardless of the number of shares you own, your vote is important. If you do not plan to be present, I would appreciate your taking the time now to complete, sign, date and return the enclosed proxy form in the enclosed postage prepaid envelope, so that your shares can be voted at the meeting in accordance with your instructions.

Proxies will be counted and tabulated by CIBC Mellon Trust Company, NOVA Chemicals' transfer agent, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where a shareholder has made a written comment on the proxy form which is clearly intended for the management, (b) as necessary to meet legal requirements, or (c) in the event of a proxy contest.

Thank you for your participation as a shareholder in NOVA Chemicals Corporation.

Sincerely,

Jeffrey M. Lipton
President and
Chief Executive Officer



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Nova0931_1998

MANAGEMENT INFORMATION CIRCULAR**GENERAL**

This Management Information Circular ("Information Circular") is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the management of NOVA Chemicals Corporation ("NOVA Chemicals" or the "Corporation") for use at the annual and special meeting (the "Meeting") of the holders of NOVA Chemicals common shares (the "Common Shares") to be held on May 14, 1999 at 10:30 a.m., Mountain Daylight Savings Time, at The Telus Convention Centre, Calgary, Alberta and at any adjournment thereof. Enclosed is a form of proxy for use at the Meeting. A copy of NOVA Chemicals' 1998 Annual Report, which includes the consolidated financial statements of NOVA Chemicals for the fiscal year ended December 31, 1998 to be presented to the Meeting, is also enclosed. A copy of this Information Circular, the Shareholder Rights Plan (the "Rights Plan") referred to in this Information Circular, NOVA Chemicals' Annual Information Form dated March 4, 1999 for the fiscal year ended December 31, 1998, as filed with Canadian provincial securities commissions and, under cover of an Annual Report on Form 40-F, with the United States Securities and Exchange Commission, and any interim financial statements of NOVA Chemicals subsequent to the financial statements for the year ended December 31, 1998 may be obtained by any person without charge by writing to NOVA Chemicals to the attention of its Corporate Secretary, P.O. Box 2518, Postal Station M, Calgary, Alberta T2P 5C6.

Pursuant to the General By-Law of NOVA Chemicals, proxies must be received by CIBC Mellon Trust Company no later than 5:00 p.m., Mountain Daylight Savings Time, on May 13, 1999. Proxies may be delivered using the enclosed postage prepaid self-addressed envelope or by otherwise delivering them to CIBC Mellon Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1.

It is anticipated that this Information Circular, the accompanying form of proxy and the other documents mailed herewith will be first mailed to shareholders on or about April 6, 1999. Unless otherwise stated, information contained in this Information Circular is given as at March 4, 1999. The principal, executive and registered office of NOVA Chemicals is located at 645 Seventh Avenue S.W., Calgary, Alberta T2P 4G8, and its telephone number is (403) 750-3600.

All financial data is presented in U.S. dollars, unless otherwise indicated.

Revocability of Proxy

A proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked in writing by the holder of Common Shares or such holder's attorney authorized in writing and deposited either at the registered office of NOVA Chemicals at 645 Seventh Avenue S.W., Calgary, Alberta, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

Persons Making the Solicitation

This solicitation of proxies is made by and on behalf of the Board of Directors and the management of NOVA Chemicals and the costs thereof will be borne by NOVA Chemicals. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or other telecommunication device, by directors, officers and employees of NOVA Chemicals, who will not be specifically remunerated therefor. In addition, NOVA Chemicals has retained Shareholder Communications Canada,

P.O. Box 56, Commerce Court Postal Station, Suite 1925, Commerce Court W., Toronto, Ontario, M5L 1B9 and their affiliate, Kissel-Blake Inc., 110 Wall Street, New York, New York 10005, at a fee of approximately \$19,000 plus out-of-pocket expenses, to aid in the solicitation of proxies from individual and institutional investors in Canada and the United States.

In soliciting proxies, no person is authorized to give any information or to make any representations other than those contained in this Information Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

Exercise of Discretion

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the holder thereof. **In the absence of such specification, the Common Shares will be voted in favour of the election of each of the directors named for the term specified on the form of proxy, the appointment of Ernst & Young LLP as auditors, the authorization of the directors to fix the auditors' remuneration and the confirmation of the Shareholder Rights Plan (the "Rights Plan").** The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Annual and Special Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular, the Board of Directors and the management of NOVA Chemicals know of no such amendment, variation or other matter.

Common Shares and Principal Holders Thereof

As of March 4, 1999, NOVA Chemicals had outstanding 92,329,029 Common Shares. The closing price for the Common Shares on The Toronto Stock Exchange on March 4, 1999 was Cdn. \$25.10. The closing price on the New York Stock Exchange was U.S. \$16.31. Each Common Share confers upon the holder thereof the right to one vote on a ballot, if called, on each matter that may properly be brought before the Meeting.

The close of business on April 1, 1999 is the record date for the determination of holders of Common Shares entitled to notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of such shares, demand not later than 10 days before the Meeting that his or her name be included on the list of persons entitled to attend and vote at the Meeting.

The representation in person or by proxy of at least 10% of the outstanding Common Shares is necessary to provide a quorum for the Meeting. The election of directors, the confirmation of the appointment of Ernst & Young LLP and the resolution to approve the Rights Plan require the majority of the votes cast, in person or by proxy, by holders of Common Shares.

As at March 4, 1999, no person or company, to the knowledge of the directors or senior officers of NOVA Chemicals, beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares except Trimark Investment Management Inc. ("Trimark") which owns 11,445,430 or approximately 12.4% of the outstanding Common Shares as trustee and manager for and on behalf of mutual funds sponsored by Trimark.⁽¹⁾

(1) Based on a report dated February 1, 1999 filed by Trimark Investment Management Inc. with certain Canadian securities regulatory authorities.

BUSINESS OF THE MEETING

At the Meeting, the 1998 audited financial statements will be presented to the holders of Common Shares. Holders of Common Shares will be asked to vote on the election of directors, the appointment of auditors and the confirmation of the Rights Plan.

ELECTION OF DIRECTORS

The NOVA Chemicals' Articles of Amalgamation (the "Articles") currently provide for the Board of Directors to consist of a minimum of 10 directors and a maximum of 20 directors. The number of directors presently in office is 12. The information given herein with respect to each director is based upon information furnished to NOVA Chemicals by each director.

In accordance with the Articles and the General By-Law of NOVA Chemicals, the Board of Directors has determined that 12 directors are to be elected at the Meeting by the holders of Common Shares. The term of office proposed for each nominee for election as director is a term of one year expiring at NOVA Chemicals' 2000 annual meeting or until a successor is elected or appointed.

The nominees for election as directors of NOVA Chemicals are F. P. Boer, R. E. Dineen, Jr., L. Y. Fortier, K. L. Hawkins, J. M. Lipton, G. J. Maier, J. E. Newall, N. Pappas, R. L. Pierce, J. G. Rennie, J. D. Thompson and M. K. Witte. Each person nominated for election at the Meeting is currently a director of NOVA Chemicals.

In December 1994, The Toronto Stock Exchange Committee on Corporate Governance in Canada issued a series of guidelines for effective corporate governance (the "TSE Report"). The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The guidelines have been adopted by both The Toronto Stock Exchange and the Montreal Exchange.

The TSE Report paid a great deal of attention to the composition and independence of corporate boards. An "unrelated" director, under the TSE Report, is a director who is free from any interest and any business or other relationship which would, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the corporation, other than interests arising from shareholding. In defining an unrelated director, the TSE Report placed emphasis on the ability of a director to exercise objective judgment, independent of management. The TSE Report also made an informal distinction between inside and outside directors. The TSE Report considers an inside director a director who is an officer or employee of the Corporation or any of its affiliates.

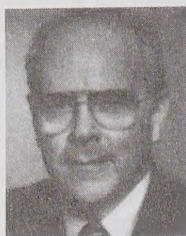
On a rigorous application of these definitions, 9 of NOVA Chemicals' 12 existing directors are both unrelated and outside directors. Mr. Newall (NOVA Chemicals' Chairman and former Chief Executive Officer of NOVA Corporation), Mr. Pierce (a former NOVA Corporation officer and consultant) and Mr. Lipton (NOVA Chemicals' President and Chief Executive Officer) are the only three Board members who could be considered related or inside directors.

Identified below, in alphabetical order, is the name of each person who is a nominee for election as a director of NOVA Chemicals, the period during which each has served as a director of NOVA Chemicals, the principal occupation (including all positions currently held with NOVA Chemicals) and certain other directorships held by each such director. Each such director has held his or her present principal occupation or executive position with the same or associated firms for the past five years except as set forth below. Proxies in favour of the persons named in the accompanying form of proxy will be voted in favour of the election of each of the 12 nominees for election as directors. The Board of Directors and management do not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

Where used below in descriptions of past association, "NOVA Chemicals" means NOVA Chemicals since July 2, 1998, NOVA Corporation between April 28, 1994 and July 2, 1998 and NOVA Corporation of Alberta prior thereto. As part of a Plan of Arrangement (the "Arrangement" or "Plan of Arrangement") between NOVA Corporation ("NOVA") and TransCanada PipeLines Limited ("TransCanada") completed on July 2, 1998, NOVA was split off as a separate corporation to carry on the chemicals business formerly carried on by NOVA. On January 1, 1999, NOVA changed its name to NOVA Chemicals Corporation ("NOVA Chemicals"). The proposed slate of directors for NOVA Chemicals includes six former TransCanada directors (Messrs. Dineen, Fortier, Hawkins, Maier and Thompson and Ms. Witte) who have served on NOVA Chemicals' Board since July 2, 1998.



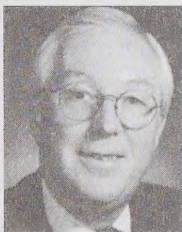
Dr. Frank Peter Boer has been a director of NOVA Chemicals since February 21, 1991. He resides in Village of Golf, Florida. He is President and Chief Executive Officer of Tiger Scientific, Inc., a firm specializing in science and technology, consulting and investments. Prior to 1996 he was Executive Vice President and Chief Technical Officer of W.R. Grace & Co., where he held responsibilities for research, engineering, business development and environment, health and safety. He is a professor in the School of Management at Yale University and serves on The Clean Air Act Advisory Committee of the Environmental Protection Agency. He is affiliated with advisory committees of Princeton University, Harvard University, Texas A&M University and the Los Alamos National Laboratory and is a past president of the Industrial Research Institute. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.



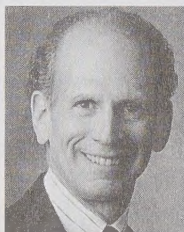
Robert Emmet Dineen, Jr. has been a director of NOVA Chemicals since July 2, 1998. He resides in New York, New York and is a partner of Shearman & Sterling, Attorneys-at-Law, New York, New York.



Louis Yves Fortier, C.C., Q.C. has been a director of NOVA Chemicals since July 2, 1998. He resides in Westmount, Quebec and is Chairman and a senior partner of Ogilvy Renault, Barristers and Solicitors, Montreal, Quebec. He is also a director of DuPont Canada Inc., Hudson's Bay Company, Northern Telecom Limited, Royal Bank of Canada and Southam Inc.



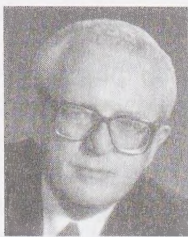
Kerry Lloyd Hawkins has been a director of NOVA Chemicals since July 2, 1998. He resides in the City of Winnipeg, Manitoba and is President of Cargill Limited, Winnipeg, Manitoba (agrifoods handlers and processors). He is also President of Prince Rupert Grain, Chairman of Saskferco Products Inc. and a director of TransCanada, Shell Canada Limited and Hudson's Bay Company.



Jeffrey Marc Lipton has been a director of NOVA Chemicals since April 18, 1996. He is President and Chief Executive Officer of NOVA Chemicals and resides in the City of Calgary. Prior to July 1998, he was President of NOVA Corporation and President and Chief Executive Officer of NOVA Chemicals Ltd. Prior to December 1994, he was President and Chief Operating Officer of NOVA Corporation and prior to September 1994, he was Senior Vice President and Chief Financial Officer. Prior to February 1994, he was Senior Vice President of Novacor Chemicals Inc. He is a director of the American Plastics Council, the Chemical Manufacturers Association and of certain subsidiaries and affiliates of NOVA Chemicals, including Dynegey Inc. He is Chairman of Methanex Corporation.



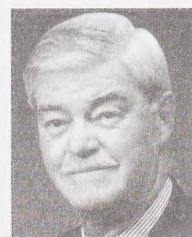
Gerald James Maier of Calgary has been Vice Chairman and a director of NOVA Chemicals since July 2, 1998. He is Chairman Emeritus of TransCanada. Prior to July 1998, he was Chairman of TransCanada and prior to April 1996, he was Chairman and Chief Executive Officer of TransCanada. He is Chairman of the Van Horne Institute and Notre Dame College, and a director of the following companies: BCE Inc., Bank of Nova Scotia, Petro-Canada, Stream-Flo Industries, Xpronet Inc., United Western Communications Ltd. and the Manning Foundation.



James Edward (Ted) Newall, O.C. has been a director of NOVA Chemicals since August 13, 1991. He is Chairman of NOVA Chemicals and, prior to July 2, 1998, was Chief Executive Officer of NOVA Corporation. Prior to September 1, 1994, he was President and Chief Executive Officer of NOVA Corporation. He resides in the City of Calgary. He is also a director of BCE Inc., Alcan Aluminum Limitee, Royal Bank of Canada, Maple Leaf Foods, Canadian Pacific Ltd., and Bell Canada. He is Chair, Board of Governors of the University of Calgary and Honourary Chairman of the Business Council on National Issues.



Dr. Nicholas Pappas has been a director of NOVA Chemicals since February 28, 1992 and resides in Centerville, Delaware. Dr. Pappas is President and Chief Executive Officer of BioTraces, Inc. Dr. Pappas is also Chairman of the Board of ChemFab Corp. and a member of the Boards of the Medical Center of Delaware, Yenkin-Majestic Corp. and Witco Corp., and a member of American Men of Science, Sigma Xi and Alpha Chi Sigma.



Robert Lorne Pierce, Q.C. has been a director of NOVA Chemicals since May 13, 1977. He is Chairman and Chief Executive Officer of Foothills Pipe Lines Ltd., formerly an affiliate of NOVA Corporation. He was a Senior Vice President of NOVA Corporation from December 1991 to May 1994. He resides in the City of Calgary. He also serves on the Boards of Bank of Nova Scotia, Interstate Natural Gas Association of America and Greystone Capital Management Inc.



Janice Gaye Rennie, F.C.A. has been a director of NOVA Chemicals since April 23, 1991 and resides in the City of Edmonton where she is Principal of Rennie & Associates. Prior to January 1999 she was President of Research Technology Management Inc. Prior to April 1997 she was a business consultant and advisor. Prior to 1996, she was President of Bellanca Developments. Prior to 1994, she was Senior Vice President of Princeton Developments Ltd., a commercial real estate developer. She is a director of EPCOR Utilities Inc. (formerly Edmonton Power), Weldwood of Canada Limited and Research Technology Management Inc. In January 1993 she was appointed to the Audit Committee of the Province of Alberta and served as its Chairman until October 1997.



Joseph Dale Thompson has been a director of NOVA Chemicals since July 2, 1998. He resides in the City of Edmonton and is Chairman of PCL Construction Group Inc., Edmonton, Alberta (general construction contractors). Prior to July 1997, Mr. Thompson was Chairman, President and Chief Executive Officer of PCL Construction Group Inc. He is also a director of TransCanada, Shana Corporation, CFE Industries Inc. and Jonan Enterprises Ltd.



Margaret Kent Witte has been a director of NOVA Chemicals since July 2, 1998. She resides in Medina, Washington and is Chairman, President and Chief Executive Officer of Royal Oak Mines Inc., Kirkland, Washington (mining company). She is also a director of Highwood Resources Ltd. and Talisman Energy Inc.

BENEFICIAL OWNERSHIP OF SECURITIES

On July 2, 1998 NOVA and TransCanada entered into the Plan of Arrangement whereby the two companies merged and then split off the commodity chemicals business formerly carried on by NOVA as a separate public company. Pursuant to the Arrangement, each common share of NOVA was exchanged for 0.52 of a common share of TransCanada and subsequently thereafter each TransCanada common share was exchanged for one common share of TransCanada and 0.2 of a common share of NOVA Chemicals. Unless otherwise noted, all references in this Information Circular to Common Shares (or options to purchase Common Shares) are to the common shares of NOVA Chemicals Corporation after having taken into effect the exchanges pursuant to the Arrangement.

The table below sets forth, as at March 15, 1999, information as to Common Shares of NOVA Chemicals beneficially owned, directly or indirectly, or controlled or directed, including options to acquire such shares exercisable within 60 days of March 15, 1999, by each director of NOVA Chemicals, as provided to NOVA Chemicals by such persons.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1) (2) (3) (4)				Title of Class
Dr. Frank Peter Boer	13,558				Common Shares
Robert E. Dineen, Jr.	12,061				Common Shares
L. Yves Fortier	5,669				Common Shares
Kerry L. Hawkins	6,627				Common Shares
Jeffrey M. Lipton	602,015 ⁽⁵⁾				Common Shares
Gerald J. Maier	11,218				Common Shares
J.E. (Ted) Newall	690,775				Common Shares
Dr. Nicholas Pappas	14,350				Common Shares
Robert L. Pierce	77,153 ⁽⁵⁾				Common Shares
Janice G. Rennie	12,191				Common Shares
Joseph D. Thompson	7,245				Common Shares
Margaret K. Witte	5,467				Common Shares
All directors as a group	1,458,329				Common Shares

Notes:

- (1) Other than as described in note (5) below, these shares are subject to the sole voting and investment power of their beneficial owners.
- (2) Each director's holdings represents less than one percent of the outstanding Common Shares and all directors, as a group, hold approximately 1.5% of the outstanding Common Shares.
- (3) Includes for Mr. Lipton, 425,431 Common Shares, for Mr. Newall 437,840 Common Shares, for Dr. Boer 8,750 Common Shares, for Dr. Pappas 8,750 Common Shares, for Mrs. Rennie 8,750 Common Shares, for Mr. Pierce 26,004 Common Shares, and for all other directors 4,600 Common Shares, each which may be acquired pursuant to options which are exercisable within 60 days of March 15, 1999.
- (4) The trust funds associated with NOVA Chemicals' pension plans are administered by the Audit, Finance and Risk Committee, composed of Mrs. Rennie, Ms. Witte and Messrs. Dineen, Hawkins, Newall (ex-officio) and Thompson. The foregoing information regarding the beneficial ownership of Common Shares by each director does not include any Common Shares held by the trustee for such pension plans and over which the Audit, Finance and Risk Committee has assumed no investment or voting control.
- (5) Excludes for Messrs. Lipton and Pierce, each of whom may be deemed to have, but disclaims, beneficial ownership of: 3,800 and 300 Common Shares, respectively. The 3,800 Common Shares for Mr. Lipton are held by his wife. The 300 Common Shares for Mr. Pierce are held as to 100 each by his two daughters who do not reside in the same residence as Mr. Pierce and 100 by his wife. The foregoing respective associates and family of Messrs. Lipton and Pierce exercise sole voting and investment power over such Common Shares.

APPOINTMENT OF AUDITORS

It is proposed that Ernst & Young LLP, Chartered Accountants, be appointed to act as auditors of NOVA Chemicals for the current year. Ernst & Young LLP have served as auditors of NOVA Chemicals or its predecessors since 1956. Representatives of Ernst & Young LLP are expected to be present at the Meeting and will be given the opportunity to make a statement if they wish to do so. They will also be available to respond to appropriate questions.

RIGHTS PLAN

Shareholders will be asked to confirm the adoption of the new Rights Plan. The Rights Plan, which was unanimously adopted by the Board of Directors on March 4, 1999, is intended to replace the shareholder rights plan which shareholders of NOVA ratified in 1994 and which, in 1998, became the shareholder rights plan of NOVA Chemicals as a result of the arrangement between NOVA and TransCanada (the "Current Plan"). The Rights Plan is not being proposed in response to, or in anticipation of, any acquisition or take-over bid.

The Board of Directors has determined that the Rights Plan is in the best interests of NOVA Chemicals and its shareholders. The Board of Directors unanimously recommends that the shareholders vote in favour of the Rights Plan.

Purpose of the Rights Plan

The Rights Plan is designed to give NOVA Chemicals' shareholders sufficient time to properly assess a take-over bid without undue pressure and to give NOVA Chemicals' Board of Directors time to consider alternatives designed to allow NOVA Chemicals' shareholders to receive full and fair value for their NOVA Chemicals Common Shares. Additionally, the Rights Plan is designed to provide shareholders of NOVA Chemicals with equal treatment in a take-over bid. The desire to ensure that NOVA Chemicals is able to address unsolicited take-over bids for its issued and outstanding Common Shares during the term of the Rights Plan stems from a concern that Canadian take-over bid rules provide too short a response time to companies that are subject to unsolicited take-over bids to ensure that shareholders are offered full and fair value for their shares.

Since the adoption of the Current Plan by NOVA in 1994, shareholder rights plans have been adopted by numerous Canadian companies and the terms of such plans have evolved to reflect changes in investor attitudes, standards of corporate governance, requirements of securities regulatory authorities and the views of third party commentators. The proposed Rights Plan reflects this evolution.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan. Copies of the complete NOVA Chemicals Rights Plan were filed with securities regulators in Canada and the United States, together with a copy of a material change report on March 25, 1999. Copies are also available from the Corporate Secretary of NOVA Chemicals at P.O. Box 2518, Postal Station "M", Calgary, Alberta, T2P 5C6.

Effective Time

The effective time of the Rights Plan (the "Effective Time") is the earlier of:

- (a) the close of business on May 10, 1999;
- (b) the date that an Acquiring Person (as defined below) becomes an Acquiring Person; or
- (c) the date that an event occurs that would give rise to the subsequent separation of rights under the Current Plan.

This definition of Effective Time is intended to preclude any attempt by a bidder to make a bid that would expire immediately after the Current Plan comes to an end but before rights separate under the new Rights Plan. The Rights Plan also stipulates that the Effective Time shall not, in any event, be any earlier than April 23, 1999.

Term

The Rights Plan will remain in effect until the close of business on the tenth anniversary of the Effective Time.

Shareholder Approval

The Rights Plan must be approved by more than 50% of the votes cast at the Meeting by shareholders present or voting by proxy. In addition, the Rights Plan must be reconfirmed by more than 50% of the votes cast at each of the third and sixth annual meetings of NOVA Chemicals shareholders following the Meeting.

Issue of Rights

Immediately after the Effective Time, one right (a “Right”) will be issued and will attach to each NOVA Chemicals Common Share outstanding and to each NOVA Chemicals Common Share subsequently issued.

Rights Exercise Privilege

The Rights will trigger (i.e. separate from the NOVA Chemicals Common Shares) and will be exercisable ten trading days after a person (an “Acquiring Person”) has acquired 20% or more of, or commences or announces a take-over bid for, NOVA Chemicals’ outstanding Voting Shares (defined to include the Common Shares and any other shares that NOVA Chemicals may issue that carry voting rights), other than by an acquisition pursuant to a Permitted Bid or a Competing Permitted Bid. The acquisition by an Acquiring Person of 20% or more of the NOVA Chemicals Voting Shares is referred to as a “Flip-in Event”. When a Flip-in Event occurs each Right becomes a right to purchase from NOVA Chemicals, upon exercise thereof in accordance with the terms of the agreement governing the Rights Plan (the “Rights Plan Agreement”), that number of NOVA Chemicals Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-in Event equal to twice the exercise price (the “Exercise Price”) for an amount in cash equal to the Exercise Price (such right to be subject to adjustment in accordance with the Rights Plan Agreement). For example, if at that time the Exercise Price is \$200 and the Common Shares have a market price of \$50, the holder of each Right would be entitled to receive \$400 in market value of the Common Shares (8 Common Shares) for \$200, i.e., at a 50% discount.

Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Any take-over bid other than a Permitted Bid or a Competing Permitted Bid will be prohibitively expensive for the Acquiring Person. The Rights Plan is therefore designed to require any person interested in acquiring more than 20% of the NOVA Chemicals Voting Shares to do so by way of a Permitted Bid or a Competing Permitted Bid or to make a take-over bid which the Board of Directors considers to represent the full and fair value of the NOVA Chemicals Voting Shares.

Prior to the Rights being triggered, they will have no value and will have no dilutive effect on the NOVA Chemicals Common Shares.

Certificates and Transferability

Prior to separation, the Rights will be evidenced by a legend imprinted on the Common Share certificates of NOVA Chemicals and will not be transferable separately from the Common Shares. Your Common Share certificates do not need to be exchanged to entitle you to these Rights. The legend will be on all new certificates issued by NOVA Chemicals after the Effective Time. From and after separation, the Rights will be evidenced by Rights certificates and will be transferable separately from the NOVA Chemicals Common Shares.

Permitted Bid Requirements

The Permitted Bid requirements include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all NOVA Chemicals shareholders;

- (iii) the take-over bid must be outstanding for a minimum period of 60 days and Voting Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60 day period and only if at such time more than 50% of the Voting Shares held by the shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the “Independent Shareholders”), have been tendered to the take-over bid and not withdrawn;
- (iv) the Voting Shares deposited pursuant to the take-over bid may be withdrawn until taken up or paid for; and
- (v) if more than 50% of the Voting Shares held by Independent Shareholders are tendered pursuant to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Voting Shares for an additional 10 business days from the date of such public announcement.

Accordingly, the Rights Plan permits a partial bid to qualify as a Permitted Bid, provided that it satisfies the conditions set out above. The Rights Plan also allows for a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same day as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 21 days.

Waiver

The Board of Directors, acting in good faith, may prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an “Exempt Acquisition”) where the take-over bid is made by a take-over bid circular to all shareholders. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for NOVA Chemicals made by a take-over bid circular to all shareholders prior to the expiry of any other take-over bid for which the Rights Plan has been waived.

Redemption

The Board of Directors with the approval of the majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose, may redeem all of the then outstanding Rights at \$0.0001 per Right as adjusted by the terms of the Rights Plan. Rights may also be redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment

The Board of Directors may amend the Rights Plan with the approval of a majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose. The Board, without such approval, may correct clerical or typographical errors and, subject to the approval as noted above at the next meeting of the shareholders (or holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

Board of Directors

The Rights Plan will not detract from or lessen the duty of the Board of Directors to act honestly and in good faith with a view to the best interests of NOVA Chemicals. The Board will continue to have the duty and power to take such actions and make such recommendations to shareholders of NOVA Chemicals as are considered appropriate.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds, administrators of registered pension plans, and crown agents acquiring greater than 20% of the Common Shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Certain Canadian Federal Income Tax Considerations of the Rights Plan

NOVA Chemicals will not have any income for the purposes of the *Income Tax Act* (Canada) (the “ITA”) as a result of the issuance of the Rights. The ITA provides that the value of a right to acquire additional shares of a corporation is not a taxable benefit which must be included in computing income, and is not subject to non-resident withholding tax if the right is conferred on all holders of common shares. Although the Rights are to be so conferred, the Rights could become void in the hands of certain holders of the Common Shares upon certain triggering events occurring and, consequently, whether or not the issuance of the Rights is a taxable event is not entirely free from doubt. In any event, no amount must be included in computing income if the Rights do not have a monetary value at the date of issue. NOVA Chemicals considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. A holder of Rights may have income or be subject to withholding tax under the ITA if the Rights become exercisable or are exercised. A holder of Rights may be subject to tax in respect of the proceeds of disposition of such Rights.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of the Common Shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and any applicable foreign, provincial or territorial legislation.

Eligibility for Investment in Canada

Provided that NOVA Chemicals remains a “public corporation” for purposes of the ITA at all material times, the Rights will be qualified investments under the ITA for registered retirement savings plans, registered retirement income funds and deferred profit savings plans. The issuance of Rights will not affect the status of NOVA Chemicals Common Shares under the ITA for such purposes nor will it affect the eligibility of such securities as investments for investors governed by certain Canadian federal and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.

BOARD OF DIRECTORS

The Board of Directors is responsible for managing the business and affairs of NOVA Chemicals. It establishes the overall policies and standards for NOVA Chemicals. The directors are kept informed of NOVA Chemicals’ operations at meetings of the Board and its Committees and through reports and analyses prepared by and discussions with management.

The Board of Directors meets on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and Committee meetings.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established four standing Committees of the Board and has delegated certain responsibilities to each of those Committees and has also mandated each of them to perform certain advisory functions and make recommendations and report to the Board.

The Board of Directors of NOVA Chemicals does not have an Executive Committee. The Board of Directors has a Corporate Governance Committee, an Audit, Finance and Risk Committee, a Human Resources Committee and a Public Policy and Responsible Care Committee.

The Corporate Governance Committee of the Board of Directors of NOVA Chemicals is responsible for the composition, compensation and governance of the Board of Directors of NOVA Chemicals and recommends to the Board nominees for election or appointment to the Board, as the case may be. In addition, this Committee is responsible for maintaining an effective working relationship between the Board of Directors and management of NOVA Chemicals. The Corporate Governance Committee is composed of Ms. Witte and Messrs. Dineen, Fortier, Maier (Chairman), Newall (ex-officio) and Pierce.

The Audit, Finance and Risk Committee of the Board of Directors of NOVA Chemicals reviews and inquires into matters affecting the financial reporting of NOVA Chemicals, the system of internal accounting and financial controls and procedures, and NOVA Chemicals' audit procedures and plans; recommends the approval of the issuance of debt securities; oversees the policies and practices of NOVA Chemicals relating to risk management strategies; recommends to the Board of Directors of NOVA Chemicals the appointment and remuneration of the external auditors; is responsible for the proper and orderly funding and administration of the trust funds associated with NOVA Chemicals' savings and profit sharing plans and pension plans; and reviews with management and reports to the Board, on an annual basis, on the financing plans and objectives of NOVA Chemicals. The Audit, Finance and Risk Committee is composed of Mrs. Rennie, Ms. Witte and Messrs. Dineen, Hawkins (Chairman), Newall (ex-officio), and Thompson.

The Human Resources Committee of the Board of Directors of NOVA Chemicals is responsible for overseeing policies and practices of NOVA Chemicals with respect to its human resources. The Committee reviews recommendations for the appointment of persons to senior executive positions, considers terms of employment including succession planning and matters of compensation, recommends awards under the NOVA Chemicals' Employee Incentive Stock Option Plan (1982) and is responsible for the proper and orderly administration of NOVA Chemicals' savings and profit sharing plans and pension plans, other than matters relating to the funding and investment of the plans' trust funds. The Human Resources Committee is composed of Drs. Boer and Pappas (Chairman) and Messrs. Hawkins, Maier, Newall (ex-officio), Pierce and Thompson.

The Public Policy and Responsible Care Committee of the Board of Directors of NOVA Chemicals is responsible for overseeing the policies and practices of NOVA Chemicals relating to the environment, occupational health and safety, communications, corporate contributions, public policy matters and NOVA Chemicals' relationship with all of its stakeholders. The Public Policy and Responsible Care Committee is composed of Mrs. Rennie, Drs. Boer (Chairman) and Pappas, and Messrs. Fortier, Newall (ex-officio) and Thompson.

In December 1996, a Technology Advisory Committee was created to advise NOVA Chemicals on its research strategy. The Technology Advisory Committee consists of two directors of NOVA Chemicals, Drs. Pappas (Co-chair) and Boer (Co-chair); Mr. Daniel Boivin, Senior Vice President and President, Olefins/Polyolefins of NOVA Chemicals and Mr. Paul Clark (Co-chair), Vice President, Technology of NOVA Chemicals; Mr. Gevry Dyer, retired Research and Development Director, DuPont Canada Inc.; and three world-class research scientists, Dr. Michel Boudart, Professor, Stanford University, Dr. Musa Kamal, Professor, McGill University, and Dr. Kurt Zilm, Professor, Yale University.

REPORT ON EXECUTIVE COMPENSATION

Report on Executive Compensation in U.S. Dollars

In the third quarter of 1998, NOVA Chemicals began reporting its financial statements in U.S. dollars. Unless otherwise specified, all executive compensation amounts are expressed in U.S. dollars. The average exchange rate for 1998 was \$1.00 Canadian = \$0.6743 U.S. All 1998 amounts are stated using the 1998 average exchange rate. All amounts for prior periods have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = \$0.68 U.S.

Composition of the Human Resources Committee

The Human Resources Committee of the Board of Directors is responsible for the overall executive compensation strategy of NOVA Chemicals and the on-going monitoring of the strategy's implementation. It is composed of Messrs. Hawkins, Maier, Newall (ex-officio), Pierce, Thompson, and Drs. Boer and Pappas (Chairman). The Chairman of the Committee has direct access to NOVA Chemicals' external consultants on compensation and human resources matters. None of the members of the Committee, except Messrs. Newall and Pierce, is or was formerly an officer or employee of NOVA Chemicals or any of its subsidiaries. Mr. Newall was the Chief Executive Officer of NOVA from September, 1991 to June, 1998 and is now paid a consulting fee by NOVA Chemicals in respect of his duties as Chairman of the Board. See "Compensation of Directors". Mr. Pierce was a Senior Vice-President of NOVA from December, 1991 to May, 1994 and a former officer and director of certain NOVA subsidiaries.

Report of the Human Resources Committee

The Human Resources Committee's mandate includes all executive compensation matters. NOVA Chemicals' executive compensation policies are designed to provide competitive compensation to enable NOVA Chemicals to attract and retain executives that will make significant contributions to NOVA Chemicals' annual and long term goals.

The major elements of the executive compensation program are base salary, annual performance incentives, long term incentives through the granting of stock options, and non-cash compensation. The Human Resources Committee annually monitors comparative total compensation information to ensure that target levels of overall compensation are competitive with similar North American commodity chemicals organizations. In any particular year, NOVA Chemicals' executive officers may be paid more or less than executive officers at comparable organizations depending on corporate and business unit performance and individual contribution.

Base Salaries

Base salaries for all executive officers are paid within salary ranges established for each position on the basis of the level of responsibility relative to other positions in NOVA Chemicals. The salary range for each position is determined through annual comparative salary surveys of 8 to 12 North American commodity chemicals organizations of similar complexity to NOVA Chemicals and is set at approximately the average of the survey group. Individual salaries within a range are determined by that officer's contribution to NOVA Chemicals.

The 1998 review of industry trends and comparative salary levels indicated a need to make only minor adjustments to salary ranges for 1999.

On June 30, 1998, coincident with the Arrangement, Mr. Newall retired as Chief Executive Officer of NOVA and Mr. Lipton was appointed President and Chief Executive Officer of NOVA Chemicals.

Mr. Newall's base salary, as Chief Executive Officer, was established by contract when he was hired in 1991. In lieu of cash salary compensation, Mr. Newall's contract was revised in 1994 to provide compensation in the form of 17,000 Common Shares per quarter and this arrangement was continued until Mr. Newall retired from NOVA in June, 1998. In 1995, a notional base salary was developed for the purpose of calculating Mr. Newall's management incentive plan payment and his benefits, based on a competitiveness survey. This amount was set at \$493,000, effective January 1, 1996. In 1996 it was determined that a market adjustment of 2% was required to maintain the market competitiveness of Mr. Newall's notional base salary with the result that it was increased to \$503,200. There was no change for 1998.

Mr. Lipton's base salary was established by contract when he was hired in 1994 (see "Employment Contracts"). In 1998 it was determined, based on a competitiveness survey, that a market adjustment was required to maintain the competitiveness of Mr. Lipton's base salary in his new role as President and Chief Executive Officer of a commodity chemicals company. In 1998, Mr. Lipton's base salary was \$674,300.

Non-Cash Compensation

Non-cash compensation includes employee benefits, perquisites and vacations. NOVA Chemicals' non-cash compensation programs are designed to approximate the average of North American chemicals commodity organizations. Non-cash compensation is monitored annually. Neither Mr. Newall nor Mr. Lipton receive any non-cash compensation that is different from that received by other executive officers, other than as described under "Supplementary Pension Agreements" and "Employment Contracts". As Mr. Newall did not receive cash salary compensation from 1994 to 1998 a notional base salary (which was set by the Human Resources Committee at \$493,000 for 1996 and at \$503,200 for 1997 and 1998, pro-rated for that portion of 1998 that he was Chief Executive Officer of NOVA) equivalent to what he would have received in cash, was utilized to calculate benefits for which he is eligible and determining payments from the Management Incentive Plan.

Management Incentive Plan

The Management Incentive Plan is designed to recognize the contributions to corporate and business results of executive officers and senior managers. The Management Incentive Plan constitutes a significant part of compensation. This plan provides for annual cash awards based on corporate and business unit performance, and team and individual contributions to NOVA Chemicals' results, measured against objectives which are determined at the beginning of each calendar year. As the executive's responsibility level increases, the Management Incentive Plan represents an increasing portion of total compensation.

The guiding principle of the plan is to achieve a total compensation position, including base salary and management incentive target award, at the 75th percentile of similar organizations if performance objectives, as approved by the Board of Directors, are achieved.

Management Incentive Plan awards are based on four components:

- (a) corporate performance - based on the achievement of consolidated net operating income goals;
- (b) business unit performance - based on the achievement of business related objectives, generally equally divided between financial objectives and other objectives such as improvement in environment, health and safety performance, customer service, operating performance, or other specific objectives;
- (c) team contribution - based upon the achievement of specific team objectives; and
- (d) individual contribution - based upon the achievement of specific individual objectives.

A target incentive award, based on each participant's level of responsibility, is set and communicated to each participant at the beginning of each year. For members of management with direct responsibility for one of NOVA Chemicals' businesses, target awards are weighted 20% on individual contribution, 50% on business results and 30% on corporate results. The 80% weighting factor for corporate and business results is split depending on the focus of the executive's position. For members of management with corporate responsibilities, other than the Chief Executive Officer, who do not have direct responsibility for one of NOVA Chemicals' businesses, the weighting factor is 30% corporate performance, 50% team contribution and 20% individual contribution. The weighting factor for the Chief Executive Officer is 50% corporate performance and 50% individual contribution.

The actual incentive award paid each year, if any, is determined with reference to achievements in the components set out above. If minimum performance levels are not reached, no incentive is payable. If target performance levels are reached, the target incentive award is payable. Provision is made in the plan to pay incentives in excess of the target award, to a maximum established by the Board, if performance in a year is exceptional. The factor by which the incentive award is calculated is pro-rated between the minimum, target and maximum award depending on actual performance under each of the components.

In administering the plan, the Human Resources Committee may use its judgment in varying the amounts payable to executives. Management incentive awards are not taken into account for the purpose of calculating pension or other benefits.

The management incentive payments for the individuals who held the office of Chief Executive Officer in 1998, Messrs. Newall and Lipton, are based on the terms of the Management Incentive Plan, making them eligible for an incentive of 50% of base salary if target is achieved and up to 125% if it is significantly exceeded. On that basis, the management incentive payment for service in the first half of 1998 was calculated at 100% achievement of targets, which focussed on the successful completion of the Arrangement, for both Messrs. Newall and Lipton, and a payment pro-rated for half year was paid on June 29, 1998. After NOVA Chemicals became a stand-alone commodity chemicals company in July, 1998, new objectives were set for Mr. Lipton. The management incentive payment for Mr. Lipton's service for the second half of 1998 was calculated at 0% achievement of corporate objectives and 200% achievement of individual performance objectives weighted at 50% all pro-rated to reflect the half-year performance.

In 1998, the incentive payments for other executives were also based on two sets of objectives. On the completion of the Arrangement with TransCanada, incentive payments were paid, pro-rated for half year service, at target as objectives relating to the Arrangement were met or exceeded. The incentive payments for the remainder of 1998 are lower than previous years as the corporate earnings component of the Management Incentive Plan was paid out at

zero. The non-financial objectives were met or exceeded resulting in payments at or above target levels for this component of the Management Incentive Plan.

Option Plan

The purpose of the Option Plan is to provide incentive to employees, including key employees such as the Chief Executive Officer and each of NOVA Chemicals' four other most highly compensated executive officers (the Named Executive Officers, "NEOs"), to: (a) align management interests with those of the common shareholder; (b) contribute to growth of shareholder value; (c) produce improvement in operating results; (d) remain as employees; and (e) become the owners of Common Shares.

One objective of the Option Plan is to provide compensation to key employees at a competitive level with other comparable North American organizations, and to align the interests of executives more closely with those of shareholders as the result of the efforts of employees in generating growth in Common Share value. Annual reviews are conducted to ensure that NOVA Chemicals' Option Plan is comparable to similar North American commodity chemicals companies. Options are granted to key employees by the Board on the recommendation of the Human Resources Committee for the purchase of a set number of Common Shares at an exercise price equal to the closing price of the Common Shares on The Toronto Stock Exchange on the date of grant. Each option may be exercised over a 10 year period and options generally vest as to one-quarter at the date of grant and an additional one-quarter per year for the next three years. Alternate vesting, up to full vesting at the date of grant, may be granted at the Board's discretion.

The number of options granted to each key employee, including executive officers, is determined by a formula based on base salary and levels of responsibility and is adjusted with reference to the relative performance of such employee. The criteria used for making such adjustments in respect of grants to executive officers are: (a) the relative level of achievement of the executive officer; (b) the level of responsibility of each executive officer; (c) whether or not the executive officer has been given additional responsibilities; (d) the number of shares under options then held by the executive officer; and (e) the competitiveness of the grants with similar organizations.

With regard to the above criteria, in February 1998, the Board granted to Mr. Newall, as Chief Executive Officer, an option to purchase 90,812 Common Shares. Mr. Lipton, the then President of NOVA, was granted an option to purchase 60,541 Common Shares in respect of the above criteria. These options represent options to purchase NOVA Chemicals Common Shares but which were granted by NOVA prior to the Arrangement with TransCanada, and were cancelled and replaced in accordance with the adjustment formulae set out in the Plan of Arrangement. In addition, Mr. Lipton was granted an option to purchase 400,000 Common Shares in July, 1998 when he was also appointed Chief Executive Officer. These options do not vest until five years after the grant date and may be exercised over the following five year period.

In July 1998, NOVA Chemicals granted, for the first time, options to every permanent NOVA Chemicals' employee who would not have received stock options under the key employee program. The main objective of this grant was to encourage all employees to align their interests with NOVA Chemicals' efforts to build value for shareholders. The options were granted for the purchase of 100 Common Shares at an exercise price equal to the closing price of the Common Shares on The Toronto Stock Exchange on the date of the grant. Each of these options vests one year after the date of grant and may be exercised over a 10 year period.

Deferred Share Unit Plan

Commencing in calendar year 1999 and subject to regulatory approval, NOVA Chemicals implemented a Key Employee Deferred Share Unit Plan ("DSUP") as a means to further link the interest of officers (and directors, see "Compensation of Directors") to the creation of shareholder value.

Under the DSUP, Key Employees, such as the Chief Executive Officer and the Named Executive Officers, may elect, on an annual basis, to receive all or a portion of their Management Incentive Payment in deferred share units economically equivalent to NOVA Chemicals' Common Share value. The amount of the Management Incentive Payment that a Key Employee elects to have participate in the DSUP will be converted to an equivalent number of deferred share units based on the market value of NOVA Chemicals' Common Shares as at a specified time (the average of the closing price for the Common Shares over five consecutive trading days preceding the performance

period). When a dividend is declared on Common Shares the value of the dividend will be added, as full or part units, to the DSUP accounts of the Key Employees. The deferred share units are not Common Shares and do not carry rights of Common Shares.

Individuals must hold the deferred share units until they are no longer an employee or director of NOVA Chemicals. At such time, unless it is not practicable or feasible to do so, NOVA Chemicals will cause to have purchased on the open market, a number of Common Shares equivalent to the value of the deferred share units in the Key Employee's DSUP account less applicable withholding taxes (at ordinary income tax rates) for the Key Employee.

As of March 15, 1999, regulatory approval for the DSUP has not been received and therefore, elections have not yet been made under the DSUP for 1999.

BY THE HUMAN RESOURCES COMMITTEE

N. Pappas (Chairman)

J.E. Newall (ex-officio)

P. Boer

R. Pierce

K. Hawkins

J. Thompson

G. Maier

Beneficial Ownership of Securities

NOVA Chemicals encourages its executive officers to hold Common Shares to align the actions and interests of the executive officers with NOVA Chemicals' drive to create shareholder value. NOVA Chemicals has adopted minimum share ownership guidelines for the executive officers. Under these guidelines Mr. Lipton is encouraged to hold NOVA Chemicals Common Shares valued at three times his annual base salary and the nine other executive officers are encouraged to hold Common Shares valued at two times annual base salary. No financial assistance is provided by NOVA Chemicals to assist the executive officers in purchasing Common Shares.

The following table sets forth, as at March 15, 1999, information as to Common Shares of NOVA Chemicals beneficially owned, directly or indirectly, or controlled or directed, excluding options to acquire such shares, by the current Chief Executive Officer and the Named Executive Officers:

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Title of Class</u>
J.M. Lipton	176,584 ⁽¹⁾	Common Shares
D.W. Boivin	32,846	Common Shares
W.W. Lucas	34,085	Common Shares
A.T. Poole	40,274	Common Shares
D.H. Spiess	15,712	Common Shares

Note:

- (1) Excludes for Mr. Lipton who may be deemed to have but disclaims beneficial ownership of 3,800 Shares. The 3,800 Common Shares of Mr. Lipton are held by his wife, who exercises sole voting and investment power over such Common Shares.

Compensation of Officers

The following table sets forth the compensation paid by NOVA Chemicals to each of the two individuals who occupied the position of Chief Executive Officer ("CEO") in 1998 and the Named Executive Officers ("NEOs"), in each case in respect of the fiscal years ended December 31, 1998, 1997, and 1996.

SUMMARY COMPENSATION TABLE

(Columns reflect U.S. dollars except Options column which reflects number of shares under option)

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (6)
		Salary (1)	Management Incentive Plan Payments (2)	Other Annual Compensation (3)	Awards		Payouts	
					Securities Under Options Granted (4)	Restricted Shares or Restricted Share Units (5)	LTIP Payouts (5)	
J.M. Lipton President & CEO	1998	674,300	337,150	N/A	460,541	N/A	N/A	68,104
	1997	394,400	204,000	N/A	60,542	N/A	N/A	33,350
	1996	367,200	306,000	N/A	60,542	N/A	N/A	46,562
D.W. Boivin Senior Vice President	1998	347,300	111,260	N/A	80,770	N/A	N/A	37,086
	1997	255,000	68,000	N/A	30,271	N/A	N/A	23,404
	1996	238,000	142,800	N/A	30,271	N/A	N/A	28,537
A.T. Poole Executive Vice President	1998	256,200	109,240	N/A	105,270	N/A	N/A	27,646
	1997	214,200	81,600	N/A	30,271	N/A	N/A	19,790
	1996	204,000	136,000	N/A	30,271	N/A	N/A	26,970
W.W. Lucas ⁽⁷⁾ Senior Vice President	1998	216,700	202,500 ⁽⁸⁾	N/A	103,216	N/A	N/A	331,447 ⁽⁹⁾⁽¹⁵⁾
	1997	—	—	—	—	—	—	—
	1996	—	—	—	—	—	—	—
D.H. Spiess ⁽⁷⁾ Senior Vice President	1998	240,800	57,350	N/A	94,743	N/A	N/A	58,157 ⁽⁹⁾⁽¹⁵⁾
	1997	—	—	—	—	—	—	—
	1996	—	—	—	—	—	—	—
J.E. Newall ⁽¹⁰⁾ Chairman & Chief Executive Officer	1998	381,700 ⁽¹¹⁾	124,750 ⁽¹²⁾	N/A	90,812	N/A	N/A	131,500 ⁽¹³⁾
	1997	554,300 ⁽¹¹⁾	0 ⁽¹⁴⁾	N/A	90,813	N/A	N/A	43,230
	1996	570,200 ⁽¹¹⁾	357,000	N/A	90,813	N/A	N/A	59,313

Notes:

- (1) See "Report of the Human Resources Committee — Base Salaries".
- (2) NOVA Chemicals has in place a Management Incentive Plan which has clear objectives for participants and as such does not operate as a "bonus" plan. See "Report of the Human Resources Committee — Management Incentive Plan". Typically, the annual incentive amounts are earned in the year reported and paid in the first quarter of the following year. In 1998, however, the Management Incentive Plan was amended to allow payments to be made at the completion of the Arrangement. A payment was made at target in June 1998 pro-rated for one-half of the year. For the remainder of 1998, earned annual incentive amounts, pro-rated for one-half of the year were paid in March 1999. As NOVA Chemicals did not meet the minimum threshold for the corporate financial component of the Management Incentive Plan, the corporate component of the Incentive Compensation Plan paid out at zero for all plan members.
- (3) The CEO and each NEO is in receipt of benefits and perquisites in addition to base salary and management incentive payments. The value of these benefits and perquisites does not exceed the lesser of \$50,000 or 10% of the total annual salary and management incentive payment.
- (4) This column shows the total number of Common Share options granted to the CEO and each NEO during each respective year. The number of Common Share options reflect the total number granted after giving effect to the cancellation and replacement of options pursuant to formulae set out in the Plan of Arrangement. See "Report of the Human Resources Committee — Option Plan". NOVA Chemicals has not granted any stock appreciation rights ("SARs").
- (5) NOVA Chemicals does not grant Restricted Shares or Restricted Share Units and it does not have a long term incentive plan ("LTIP").
- (6) Includes the dollar value of insurance premiums paid by NOVA Chemicals with respect to term life insurance for the benefit of the CEO and each NEO plus amounts paid under the NOVA Chemicals Savings and Profit Sharing Plan. Also includes relocation, vacation and other one time payments where applicable.
- (7) Mr. Lucas and Mr. Spiess commenced employment with NOVA Chemicals on February 1, 1998. The amounts reported for each of these individuals represents compensation received from February to December 31, 1998.
- (8) Includes signing bonus in the amount of \$100,000.
- (9) Includes relocation expenses paid by NOVA Chemicals in the amount of \$330,109 to Mr. Lucas and \$55,540 to Mr. Spiess.
- (10) Mr. Newall retired as Chief Executive Officer of NOVA in June, 1998. The amounts reported for 1998 represent the compensation he received from January to June 30, 1998.
- (11) Mr. Newall's 1996, 1997 and 1998 salary was paid in the form of 17,000 Common Shares per quarter. As his salary is calculated using the closing price on The Toronto Stock Exchange on the last day of each quarter, the amounts shown reflect the variance in share price in 1996, 1997 and 1998.
- (12) Mr. Newall received a Management Incentive Payment for the half-year that he was Chief Executive Officer.

- (13) Mr. Newall was entitled to and received outstanding vacation pay in the amount of \$94,857 when he retired in June 1998.
- (14) For the 1997 performance period, Mr. Newall asked the Board that he not be considered for a Management Incentive Payment as the Corporation did not meet the minimum financial threshold for the financial component of the Management Incentive Plan in 1997.
- (15) Mr. Lucas and Mr. Spiess did not receive profit sharing allocations as they were not eligible to participate in NOVA's Savings and Profit Sharing Plan in 1998.

Stock Options

The table below shows the number of Common Shares available for purchase under share purchase options granted to each of the two individuals who occupied the position of CEO in 1998 and each of the NEOs during the period from January 1, 1998 to December 31, 1998 together with the percentage that the grant represents of total options granted by NOVA Chemicals to its employees and employees of its subsidiaries in fiscal 1998, the per security exercise price, the per security market value of the underlying securities on the date the options were granted and the expiration date of the options granted. NOVA Chemicals has not granted any SARs.

Option and/or SAR Grants					
Name	Securities Under Option/SARs Granted (#)	% of Total Options/SARs Granted to Employees in 1998	Exercise or Base Price (Cdn \$) (1)	Market Value of Securities Underlying Options/SARs on the Date of Grant (Cdn \$) (1)	Expiration Date
J.M. Lipton	60,541 ⁽²⁾⁽³⁾	2.25	26.346 ⁽²⁾	26.346 ⁽²⁾	February 19, 2008
	400,000 ⁽⁴⁾	14.84	30.75	30.75	July 2, 2008
D.W. Boivin	30,270 ⁽²⁾⁽³⁾	1.12	26.346 ⁽²⁾	26.346 ⁽²⁾	February 19, 2008
	50,500 ⁽⁴⁾	1.87	30.75	30.75	July 2, 2008
A.T. Poole	30,270 ⁽²⁾⁽³⁾	1.12	26.346 ⁽²⁾	26.346 ⁽²⁾	February 19, 2008
	37,500 ⁽⁴⁾	1.39	30.75	30.75	July 2, 2008
	37,500	1.39	30.75	30.75	July 2, 2008
W.W. Lucas	24,216 ⁽²⁾	.90	26.346 ⁽²⁾	26.346 ⁽²⁾	February 19, 2008
	31,500 ⁽⁴⁾	1.17	30.75	30.75	July 2, 2008
	47,500	1.76	30.75	30.75	July 2, 2008
D. Spiess	27,243 ⁽²⁾	1.01	26.346 ⁽²⁾	26.346 ⁽²⁾	February 19, 2008
	35,000 ⁽⁴⁾	1.30	30.75	30.75	July 2, 2008
	32,500	1.21	30.75	30.75	July 2, 2008
J.E. Newall ⁽⁵⁾	90,812 ⁽²⁾⁽³⁾	3.37	26.346 ⁽²⁾	26.346 ⁽²⁾	June 30, 2003 ⁽⁶⁾

Notes:

- (1) Options are granted for Common Shares at the closing market price on The Toronto Stock Exchange on the date the grant is made by the Board. Options are generally granted for a term of 10 years, exercisable on a cumulative basis as to 25% in the first 12 months, 25% in the second 12 months, 25% in the third 12 months and 25% thereafter for the term of the option.
- (2) Options were originally granted on February 20, 1998 at an exercise price of Cdn \$15.95, the closing price of pre-consolidation and pre-Arrangement common shares of NOVA on The Toronto Stock Exchange on the date of grant. Pursuant to the Plan of Arrangement, the options granted were cancelled and replaced in accordance with an adjustment formulae set out in the Plan of Arrangement.
- (3) These options became fully vested under the terms of the agreements entered into between Messrs. Newall, Lipton, Boivin and Poole, and the Corporation in respect of a change of control of the Corporation, which for the purposes of such agreements was deemed to occur on completion of the Arrangement.
- (4) These options were granted in July 1998 when NOVA Chemicals became a stand-alone commodity chemicals company. They were granted for Common Shares at the closing market price on The Toronto Stock Exchange on the date of grant and are for a term of 10 years, exercisable five years after the date of grant.
- (5) Options were granted to Mr. Newall as CEO. Mr. Newall was not granted options in his capacity of director or Chairman of the Board in 1998.
- (6) Originally granted to Mr. Newall with an expiry date of February 19, 2008. The expiry date was adjusted due to Mr. Newall's retirement on June 30, 1998.

The table below shows the number of Common Shares acquired on exercise of options during fiscal 1998 by the two individuals who occupied the position of CEO in 1998 and the NEOs, together with the aggregate dollar value realized on such exercises, the total number of Common Shares still available for acquisition under option, both vested and unvested, and the dollar value of “in-the-money” unexercised options, both vested and unvested (as defined in footnote (3) in the chart below).

Aggregated Option Exercises During the Year						
Name	Securities Acquired on Exercise	Aggregate Value Realized in U.S. \$ (1)	Unexercised Options/ SARs at December 31, 1998		Value of Unexercised In-the-Money (2)(3) Options/SARs at December 31, 1998 in U.S. \$	
			Non-Vested	Vested	Non-Vested	Vested
J.M. Lipton	0	0	400,000	355,681	0	304,964
D.W. Boivin	175,000 ⁽⁴⁾	702,115 ⁽⁵⁾	50,500	113,515	0	0
A.T. Poole	136,000 ⁽⁴⁾	722,445 ⁽⁵⁾	65,625	153,160	0	32,120
W.W. Lucas	0	0	85,287	17,929	0	0
D. Spiess	0	0	79,807	14,936	0	0
J.E. Newall	45,406	197,788 ⁽⁵⁾	0	431,965	0	444,300

Notes:

- (1) Calculated as the difference between the market value on exercise and the exercise price of the related option multiplied by the number of options exercised.
- (2) Calculated as the difference between the closing price of Common Shares on The Toronto Stock Exchange on December 31, 1998 (\$20.00) and the exercise price of the related option. Value has been converted to U.S. dollars at the exchange rate on December 31, 1998 (\$1.00 Canadian = \$0.6534 U.S.).
- (3) “In-the-money” means that the market value of the Common Shares underlying the option on that date exceeds the option exercise price.
- (4) Common Shares exercised or acquired on exercise were pre-consolidation and pre-Arrangement common shares of NOVA.
- (5) Aggregate value was realized in Canadian dollars but has been converted to U.S. dollars using the 1998 average exchange rate (\$1.00 Canadian = \$0.6743 U.S.).

Pension Plans

Officers, along with all salaried employees, participate in NOVA Chemicals' Canadian or U.S. non-contributory pension plans. The Canadian plans provide a retirement income and a 60% surviving spouse's pension based on the officer's years of service and the average base salary of the highest three consecutive years of the officer's final 10 years of service adjusted to reflect benefits payable under government sponsored plans. The U.S. plans provide a 50% surviving spouse's pension based on the officer's years of service and average base salary of the highest three consecutive years of the officer's final 10 years of service. The amount of pension may vary based on other factors including the age of the employee at retirement and the form of pension elected and predecessor plan membership. The first table illustrates the amount of annual pension received by a Canadian employee, and the second table illustrates an American employee, in each case retiring at age 62 on December 31, 1998, who has not elected an optional form of pension benefit.

Canadian Pension Plan Table (in Canadian dollars)							
Remuneration	Years of Service						
	5	10	15	20	25	30	35
125,000	8,919	18,338	29,757	41,176	52,595	64,014	75,865
150,000	10,919	22,438	36,357	50,276	64,195	78,114	92,465
175,000	12,919	26,538	42,957	59,376	75,795	92,214	109,065
200,000	14,919	30,638	49,557	68,476	87,395	106,314	125,665
225,000	16,919	34,738	56,157	77,576	98,995	120,414	142,265
250,000	18,919	38,838	62,757	86,676	110,595	134,514	158,865
300,000	22,919	47,038	75,957	104,876	133,795	162,714	192,065
400,000	30,919	63,438	102,357	141,276	180,195	219,114	258,465
500,000	38,919	79,838	128,757	177,676	226,595	275,514	324,865
600,000	46,919	96,238	155,157	214,076	272,995	331,914	391,265
700,000	54,919	112,638	181,557	250,476	319,395	388,314	457,665
800,000	62,919	129,038	207,957	286,876	365,795	444,714	524,065
900,000	70,919	145,438	234,357	323,276	412,195	501,114	590,465
1,000,000	78,919	161,838	260,757	359,676	458,595	557,514	656,865

Notes:

- (1) NOVA Chemicals' Canadian pension plan is a defined benefit plan. The benefit formula is integrated with the Canada Pension Plan. The non-contributory future service benefit is equal to the sum of (a) plus (b) where:
 - (a) is 1.0% times credited service times the lesser of
 - (i) Highest Average Earnings (defined below) and
 - (ii) Average Maximum Pensionable Earnings (defined below)
 - (b) is 1.6% times credited service times the amount, if any, by which the Highest Average Earnings exceeds the Average Maximum Pensionable Earnings.

Highest Average Earnings is the average of the highest 36 consecutive months of base salary in the last ten years and Average Maximum Pensionable Earnings is the three year average of the Year's Maximum Pensionable Earnings as determined in accordance with the Canada Pension Plan Act. Management incentive payments are not included in base salary for the purpose of determining pension benefits.

Canadian pension benefits for (a) married retirees, upon death, consist of 60% of the member's benefit payable to the surviving spouse for life, and (b) single retirees are payable for life and are guaranteed for 5 years after pension commences.

Canadian pension benefits are not subject to any deduction for social security or other offset amounts.

- (2) Estimated credited years of service to December 31, 1998 for the CEO and the NEOs who are members of the Canadian pension plan are:

J.M. Lipton	5.08 years
D.W. Boivin	5.00 years
A.T. Poole	10.83 years

- (3) Table is calculated based on service in existing and continuing prior plans and includes supplementary pension amounts described below, but does not include optional contributory pension plan.
- (4) Table shows benefit payable at age 62 if the employee left NOVA Chemicals on December 31, 1998.

U.S. Pension Plan Table — Whole Life Benefit for Single Retirees
(in U.S. dollars)

Renumeration	Years of Service						
	5	10	15	20	25	30	35
125,000	7,500	15,000	22,500	30,000	37,500	45,000	52,500
150,000	9,000	18,000	27,000	36,000	45,000	54,000	63,000
175,000	10,500	21,000	31,500	42,000	52,500	63,000	73,500
200,000	12,000	24,000	36,000	48,000	60,000	72,000	84,000
225,000	13,500	27,000	40,500	54,000	67,500	81,000	94,500
250,000	15,000	30,000	45,000	60,000	75,000	90,000	105,000
300,000	18,000	36,000	54,000	72,000	90,000	108,000	126,000
400,000	24,000	48,000	72,000	96,000	120,000	144,000	168,000
500,000	30,000	60,000	90,000	120,000	150,000	180,000	210,000
600,000	36,000	72,000	108,000	144,000	180,000	216,000	252,000
700,000	42,000	84,000	126,000	168,000	210,000	252,000	294,000
800,000	48,000	96,000	144,000	192,000	240,000	288,000	336,000
900,000	54,000	108,000	162,000	216,000	270,000	324,000	378,000
1,000,000	60,000	120,000	180,000	240,000	300,000	360,000	420,000

Notes:

- (1) NOVA Chemicals' U.S. pension plan is a defined benefit plan. The benefit formula is 1.2% of the Final Average Earnings times the credited service. Final Average Earnings is the average of the highest 36 consecutive months of base salary in the last ten years. Pension benefits for a single retiree is the whole life benefit as outlined above while a married retiree's benefit is a 50% Joint and Survivor benefit. Such benefit is provided by reducing the Whole Life benefit during the life time of the retiree in order to provide 50% of that reduced benefit to a surviving spouse.
- (2) Estimated credited years of service to December 31, 1998 for each NEO who is a member of the U.S. pension plan are:

D. Spiess	0.83
W. Lucas	0.83
- (3) The calculations in the table includes supplementary pension amounts described below.
- (4) Table shows benefit for a single employee at age 62 if the employee left NOVA Chemicals on December 31, 1998.

Supplementary Pension Agreements

NOVA Chemicals' Canadian pension plan benefits are subject to maximum annual benefit accruals of Canadian \$1,722.22 per year of credited service or to any greater maximum which may be provided for in the ITA from time to time. U.S. pension plan benefits are subject to a maximum annual benefit accrual based on an annual compensation of U.S. \$160,000, adjusted from time to time by the Internal Revenue Service. NOVA Chemicals has entered into pension agreements with certain officers and employees which provide for supplementary pension payments, computed with reference to the earned pension under NOVA Chemicals' pension plans. These supplementary payments would be above the maximum annual benefit accrual permitted by NOVA Chemicals' pension plans and, therefore, would not be deductible for income tax purposes by NOVA Chemicals until paid to the respective officer or employee. The aggregate pension payments resulting from such agreements and the pension payments payable under NOVA Chemicals' pension plans would be generally equivalent to the benefit which is earned under NOVA Chemicals' pension plans without the maximum annual benefit described above. Although these supplemental pension agreements still exist with individual employees including some of the NEOs, in 1992 NOVA Chemicals approved a policy to provide the same supplementary pension payments to all employees who become subject to the maximum annual benefit accrual.

Mr. Lipton's employment contract provides that NOVA Chemicals make up any short-fall should the value of pension benefits provided through NOVA Chemicals and Mr. Lipton's previous employer be less than the value of pension benefits that Mr. Lipton would have received had he remained with his previous employer until retirement. In addition, Mr. Lipton has an agreement that provides that he receive two years' pensionable service for every year that he serves as Chief Executive Officer of NOVA Chemicals.

When Mr. Boivin was hired by NOVA Chemicals, NOVA Chemicals agreed to ensure that the commuted value arising from his NOVA Chemicals pension plan participation and participation in his previous employer's

pension plan in the aggregate would not be less than he would have received had he remained with his previous employer.

Employment Contracts

NOVA Chemicals or its subsidiaries has entered into employment contracts with Messrs. Lipton, Lucas, Poole and Spiess.

Mr. Lipton's employment contract provides for an indefinite term of service at a minimum salary of \$306,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA Chemicals' compensation policy — see "Report of the Human Resources Committee"). His employment contract also provides for an initial stock option of 60,541 Common Shares (represents options granted prior to the Arrangement that were cancelled and replaced in accordance with the adjustment formulae under the Plan of Arrangement) in accordance with the terms of the Option Plan. In the event of termination of his employment, other than for cause, Mr. Lipton is entitled to be paid one times the salary and management incentive payments received by him in the most recently completed year along with compensation for loss of benefits, savings plan and pension plan contributions and the cost of relocation back to the United States, all payable in lieu of damages.

Mr. Lucas' employment contract provides for an initial term of five years ending on February 8, 2003 with the ability to renew the term, at a minimum salary of \$225,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA Chemicals' compensation policy — see "Report of the Human Resources Committee"). In each of the first three years of his employment contract, he is entitled to receive a signing bonus in the amount of \$100,000. Mr. Lucas' employment agreement provides for an initial stock option grant of 47,500 Common Shares in accordance with the terms of the Option Plan. NOVA Chemicals also provided Mr. Lucas with assistance in the sale of his home and relocation to Pennsylvania in the form of real estate and transition support. In the event of his termination, other than for cause, Mr. Lucas is entitled to be paid his base salary and target management incentive payments for a period of 24 months.

Mr. Poole's employment contract provides that, provided that Mr. Poole remains with NOVA Chemicals until at least July 3, 2001, he is entitled to be paid his base salary, target management incentive payments, benefits and other compensation for a period of 30 months.

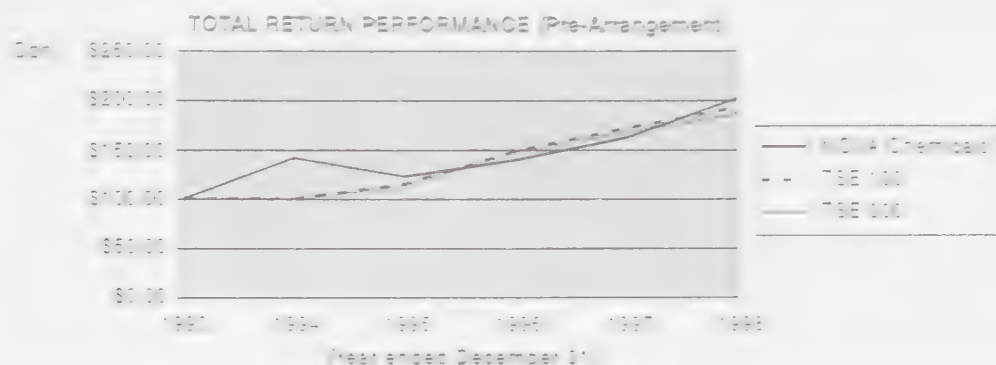
Mr. Spiess' employment contract provides for an initial term of five years ending February 8, 2003, with the ability to renew the term, at a minimum salary of \$250,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA Chemicals' compensation policy — see "Report of the Human Resources Committee"). His employment agreement also provides for an initial stock option grant of 32,500 Common Shares in accordance with the terms of the Option Plan. NOVA Chemicals provided Mr. Spiess with assistance in the sale of his home and relocation to Pennsylvania in the form of real estate and transition support. In the event of his termination, other than for cause, Mr. Spiess is entitled to be paid his base salary and target management incentive payments for a period of 24 months.

NOVA Chemicals has entered into agreements with Messrs. Lipton, Boivin, Lucas, Poole, Lunt, MacDonald, Mustoe, Spiess and Wheeler, and Ms. O'Brien in which these executives agreed not to leave voluntarily their employment with the Corporation during a proposed change of control of the Corporation. In the event of a change of control of the Corporation and the involuntary termination or constructive dismissal of one of these executives, the terminated executive is entitled to receive salary, target management incentive payment, benefits and other compensation for 36 months in the case of Mr. Lipton, 30 months in the case of Messrs. Poole and Mustoe, and 24 months for each of Messrs. Boivin, Lucas, Lunt, MacDonald, Spiess and Wheeler, and Ms. O'Brien. A portion of the entitlement for each of Messrs. Lipton, Lucas, Spiess and Wheeler is in consideration for a non-competition agreement which each individual granted in favour of the Corporation and which prohibits Mr. Lipton from being involved with a Canadian business or a business with principal activities in Canada, and Messrs. Lucas, Spiess and Wheeler from being involved with a Canadian, American or Mexican business or a business with principal activities in Canada, the U.S. or Mexico, which is substantially similar to NOVA Chemicals' business, for a period of two years from involuntary termination or constructive dismissal following a change of control. In addition, each of these agreements provide that in the event of a

change of control, all unvested stock options will vest and are exercisable by the executive whether or not the executive is involuntarily terminated or constructively dismissed.

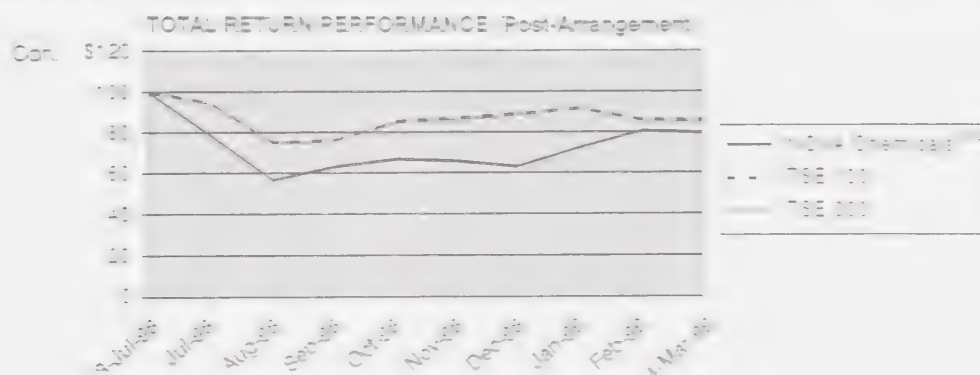
Total Return Performance

The following graphs demonstrate a five calendar year comparison of cumulative total return (assuming reinvestment of dividends) performance based upon an initial investment of Cdn. \$100 invested on December 31, 1993 in Common Shares as compared with The Toronto Stock Exchange's TSE 100 Composite Index and TSE 300 Composite Index. The first graph shows return performance from December 31, 1993 to the Arrangement completed on July 2, 1998. The second graph shows return performance of NOVA Chemicals Corporation since July 3, 1998.



Notes:

1. Cdn. \$100 invested in December 31, 1993 in NOVA Chemicals grew to Cdn. \$200.00 by December 31, 1998 at closing price of the TSE at Cdn. \$20.00.



Notes:

1. On July 2, 1998, NOVA Chemicals was split off as an independent, publicly traded commodity chemicals company following the Arrangement. This graph shows the performance of NOVA Chemicals assuming Cdn. \$100 was invested at the opening price on July 3, 1998.
2. The closing price for NOVA Chemicals immediately after the TSE at December 31, 1998 was Cdn. \$16.00 and its price on 4-Mar-99 was Cdn. \$25.00.

Compensation of Directors

Directors who are not full-time employees of NOVA Chemicals receive director fees. NOVA Chemicals has created a Director Share Compensation Plan, the "Director Share Compensation Plan" pursuant to which NOVA Chemicals has the option to pay directors an annual retainer fee in cash or shares. The Director Share Compensation Plan gives the Board of Directors the authority to amend the terms and conditions of the Director Share Compensation Plan from time to time, including the number of Common Shares which may be issued to a Non-Employee Director as an annual retainer, provided that the total number of Common Shares which may be issued under the Director Share Compensation Plan will not exceed 70,000, and that the Director

Share Compensation Plan will terminate on April 1, 2001. Non-Employee Directors received their 1996, 1997 and 1998 retainer fees in Common Shares. The 1996 and 1997 allotment for each director was 2,400 common shares of NOVA (pre-consolidation and pre-Arrangement), and for 1998, the allotment for each director for the period prior to the Arrangement was 1,200 common shares of NOVA (pre-consolidation and pre-Arrangement) and for the period that NOVA Chemicals was a stand-alone commodity chemicals company (July 3, 1998 to December 31, 1998), 600 Common Shares (post-consolidation and post-Arrangement). For 1999, the Board of Directors has approved an annual retainer fee, in cash, for each Non-Employee Director of \$20,200 (all director fees have been restated in approximate U.S. dollars using the 1998 average exchange rate).

In addition to the annual retainer, each Non-Employee Director is paid a cash attendance fee of \$1,000 for each directors' meeting attended, except in the case of the Chairman of the Board to whom a fee of \$2,000 (including the \$1,000 attendance fee) is paid for each directors' meeting attended. A travel fee of \$1,000 is paid for one travel day prior to each directors' meeting attended, where travel is required out of province, and \$2,000 where travel is required out of country.

Each Non-Employee Director who is a member of a Board Committee is paid an attendance fee of \$1,000 for each committee meeting attended except in the case of the Chairman of each such Committee to whom a fee of \$2,000 (including the \$1,000 attendance fee) is paid for each Committee meeting attended. Each Non-Employee Director who is a member of the Technology Advisory Committee is paid an attendance fee of \$4,000 for each Committee meeting attended, except in the case of each Chairman of the Committee to whom a fee of \$7,000 (including the \$4,000 attendance fee) is paid for each Committee meeting attended.

The Non-Employee Directors are also eligible to use a share purchase plan (the "Director Share Purchase Plan"), under which each participating director may elect to have some or all of his or her annual cash retainer, if any, and attendance and travel fees (subject to a contribution of a minimum of 50% of the after-withholding-tax annual retainer fee) paid to a custodian at the end of each calendar quarter. The custodian uses the funds to purchase Common Shares in the open market on behalf of the participating director.

Non-Employee Directors are also eligible to receive options under the Option Plan. Under current policy, each Non-Employee Director is granted options to purchase Common Shares in amounts such that the market value of the Common Shares underlying the options is approximately equal to the estimated cash value of that director's annual retainer fee. These options entitle the Non-Employee Director to purchase Common Shares at a price equal to the closing trading price for Common Shares on The Toronto Stock Exchange on the day on which the options are issued. In February 1998, each Non-Employee Director, other than the Chairman, received options to purchase 1,513 Common Shares at a price of Cdn. \$26.346 per Common Share, while the Chairman received options to purchase 12,108 Common Shares at a price of Cdn. \$26.346 per Common Share. These options represent options to purchase NOVA common shares granted prior to the Arrangement with TransCanada that were cancelled and replaced with options to purchase NOVA Chemicals Common Shares using the option adjustment formulae adopted for the Arrangement.

In July 1998, a new slate of Directors was elected to the Board and each Non-Employee Director who did not receive an option grant in February 1998, received options to purchase 1,600 Common Shares at a price of Cdn. \$30.75.

NOVA Chemicals has also implemented, subject to regulatory approval, a Director Deferred Share Unit Plan (the "Director DSUP") commencing calendar year 1999. Under the Director DSUP, directors may elect, on an annual basis, to receive all or portion of their retainer, or attendance and travel fees in deferred share units economically equivalent to NOVA Chemicals' Common Share value. The amount of the fees that a director elects to have participate in the Director DSUP will be converted to an equivalent number of deferred share units based on the market value of NOVA Chemicals' Common Shares as at a specified time (the average of the closing price for the Common Shares over five consecutive trading days preceding the calendar year in which the fees are earned). When a dividend is declared on Common Shares, the value of the dividend will be added, as full or part units, to the Director DSUP account. The deferred share units are not Common Shares and do not carry rights of Common Shares.

A director must hold the deferred share units until he or she is no longer a director or employee of NOVA Chemicals. At such time, unless it is not practicable or feasible to do so, NOVA Chemicals will cause to have

purchased on the open market a number of Common Shares equivalent to the value of the deferred share units in the Director DSUP account less applicable withholding taxes.

As of March 15, 1999, regulatory approval for the Director DSUP has not been received and therefore, elections have not yet been made under the Director DSUP for 1999.

Mr. Richard Haskayne was paid a fee of \$67,430 by NOVA Chemicals in 1998 in respect of his duties as Chairman of the Board from January 1, 1998 to July 2, 1998. Mr. Newall was paid a fee of \$50,573 by NOVA Chemicals for his duties as Chairman of the Board from July 2, 1998 to December 31, 1998. Mr. Newall's primary responsibility is to facilitate the most effective governance of NOVA Chemicals by the Board of Directors. In addition to chairing the Board, he is a member, ex-officio, of each of the Committees of the Board. He acts as an advisor to the President and Chief Executive Officer, and helps represent NOVA Chemicals to its customers and communities.

CORPORATE GOVERNANCE

Under the rules of The Toronto Stock Exchange, NOVA Chemicals is required to disclose information relating to its system of corporate governance with reference to the guidelines set out in the TSE Report. Since 1991, NOVA Chemicals has had in place a broad reaching plan for governance. With NOVA Chemicals' increasing national and international development, and the globalization of the commodity chemicals businesses, the directors and management have responded to the need to establish forward-looking governance policies and to constantly evaluate and modify them to ensure their effectiveness. NOVA Chemicals' disclosure is set out in matrix form and attached to this Information Circular as Appendix 1. This disclosure statement has been prepared by the Corporate Governance Committee of the Board and has been approved by the Board of Directors.

NOVA Chemicals is aligned with the guidelines recommended by the TSE Report and now adopted by the Toronto and Montreal stock exchanges. The one exception to NOVA Chemicals' alignment with the guidelines relates to a recommendation that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA Chemicals' Chief Executive Officer has a specific mandate, NOVA Chemicals' full Board has plenary power. Any responsibility which is not delegated to NOVA Chemicals' senior management or a committee of the Board remains with the full Board. NOVA Chemicals believes this is an appropriate arrangement given the respective responsibilities of the Board committees and senior management.

SHAREHOLDER PROPOSALS

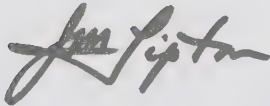
Shareholder proposals to be considered at the 2000 annual meeting of shareholders of NOVA Chemicals must be received at the principal executive offices of NOVA Chemicals no later than February 15, 2000 to be included in the information circular and form of proxy for such annual meeting.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The contents and the sending of this Information Circular have been approved by the Board of Directors of NOVA Chemicals.

By Order of the Board of Directors



JEFFREY M. LIPTON
President and
Chief Executive Officer



WAYNE E. LUNT
Senior Vice President and
Chief Financial Officer

March 4, 1999

APPENDIX 1

NOVA CHEMICALS ALIGNMENT WITH CORPORATE GOVERNANCE GUIDELINES

Corporate Governance Guideline	Does NOVA Chemicals Align?	Comments
1. Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:		
a. adoption of a strategic planning process	Yes	a.1 One Board meeting a year is set aside for a substantial strategic planning session. a.2 The Human Resources Committee of the Board and the Board review the written objectives of the senior executives and provide guidance for the development of corporate strategy.
b. identification of principal risks, and implementing risk managing systems	Yes	b.1 The Board has specifically identified NOVA Chemicals' principal risks and receives an integrated health, safety and environment report annually. b.2 NOVA Chemicals has established committees to implement and monitor systems put in place to address these risks. As an example, the Public Policy and Responsible Care Committee of the Board played a role in establishing NOVA Chemicals' environmental management system.
c. succession planning and monitoring senior management	Yes	c.1 The Human Resources Committee reviews and reports to the Board on organizational structure and succession planning matters at least annually. c.2 The CEO has a written objective that makes succession planning a priority. c.3 The Human Resources Committee reviews and monitors executive development programs. c.4 NOVA Chemicals uses the Self Management by Objectives ("SMBO") system to monitor the performance of senior management.
d. communications policy	Yes	d.1 The Board has put structures in place to ensure effective communication between NOVA Chemicals, its stakeholders and the public. These structures include the Public Policy and Responsible Care Committee. It has a mandate to review and advise the Board on policies and programs to create a strong, cohesive, sustained and positive image of NOVA Chemicals for customers, shareholders, governments and the public. d.2 The Audit, Finance and Risk Committee of the Board or the Board reviews in advance all press releases that disclose financial results and all other non-routine releases. Other statutory disclosure documents such as proxy materials and the annual information form are reviewed and, where required, approved by the Board. d.3 NOVA Chemicals' shareholder communication program provides for the open, accessible, non-selective and timely exchange of material information with all shareholders, respecting the business, activities and performance of NOVA Chemicals, subject to applicable legal requirements. Shareholder communications are available in either English or French. The disclosed information is released through news wire services, the general media, a home page on the Internet and mailings to shareholders. Individual queries, comments or suggestions can be made at any time by calling or writing directly to NOVA Chemicals' head office in Calgary, Alberta. NOVA Chemicals has a dedicated shareholder relations group to respond to individual shareholder inquiries and maintains a toll-free telephone line for ease of contact. In addition, NOVA Chemicals has an investor relations and public affairs group to respond to inquiries from investors, media and the public. Together, these groups deal with investor concerns and ensure that all inquiries receive a full and timely response.

Corporate Governance Guideline	Does NOVA Chemicals Align?	Comments																											
e. integrity of internal control and management information systems	Yes	e.1 The Board has, through the appointment of various committees, put in place an effective system for monitoring the implementation of corporate strategies. Each of the following committees is responsible for reviewing and advising the Board on implementation of corporate strategy in the noted areas: — Human Resources: employment, remuneration and succession planning — Public Policy and Responsible Care: environmental and health and safety compliance — Audit, Finance and Risk: compliance of financial reporting with accounting principles and oversight of all financing plans and risk management — Corporate Governance: determining Board agendas and priorities and proposing Board and Board Committee membership to the full Board and oversight of the effectiveness of management’s interaction with and responsiveness to the Board. e.2 NOVA Chemicals’ internal controls are monitored on a regular basis by the Audit, Finance and Risk Committee. The Audit, Finance and Risk Committee reviews all financial statements prior to release and receives detailed financial information quarterly or more often, if required.																											
2. Majority of directors should be “unrelated” (independent from management and free from conflicting interest)	Yes	J. E. Newall (former CEO), R. L. Pierce (former officer of NOVA Corporation) and J. M. Lipton (President and CEO) are the only Board members who, on a rigorous application of the definition, are related. If the proposed directors are elected to the Board, 9 out of 12 directors will be unrelated to NOVA Chemicals.																											
3. Disclose for each director whether he or she is related, and how that conclusion was reached	Yes	<table><tr><td>J. E. Newall</td><td>Related</td><td>— is Chairman of NOVA Chemicals and former CEO of NOVA Corporation</td></tr><tr><td>R. L. Pierce</td><td>Related</td><td>— is former officer of NOVA Corporation</td></tr><tr><td>J. M. Lipton</td><td>Related</td><td>— is President and CEO of NOVA Chemicals.</td></tr></table> For the remainder of the proposed directors, none of them or their associates have: — worked for NOVA Chemicals — material contracts with NOVA Chemicals — received remuneration from NOVA Chemicals in excess of directors’ fees. <table><tr><td>F. P. Boer</td><td>Unrelated</td></tr><tr><td>R.E. Dineen, Jr.</td><td>Unrelated</td></tr><tr><td>L.Y. Fortier</td><td>Unrelated</td></tr><tr><td>K.L. Hawkins</td><td>Unrelated</td></tr><tr><td>G.J. Maier</td><td>Unrelated</td></tr><tr><td>N. Pappas</td><td>Unrelated</td></tr><tr><td>J. G. Rennie</td><td>Unrelated</td></tr><tr><td>J.D. Thompson</td><td>Unrelated</td></tr><tr><td>M.K. Witte</td><td>Unrelated</td></tr></table>	J. E. Newall	Related	— is Chairman of NOVA Chemicals and former CEO of NOVA Corporation	R. L. Pierce	Related	— is former officer of NOVA Corporation	J. M. Lipton	Related	— is President and CEO of NOVA Chemicals.	F. P. Boer	Unrelated	R.E. Dineen, Jr.	Unrelated	L.Y. Fortier	Unrelated	K.L. Hawkins	Unrelated	G.J. Maier	Unrelated	N. Pappas	Unrelated	J. G. Rennie	Unrelated	J.D. Thompson	Unrelated	M.K. Witte	Unrelated
J. E. Newall	Related	— is Chairman of NOVA Chemicals and former CEO of NOVA Corporation																											
R. L. Pierce	Related	— is former officer of NOVA Corporation																											
J. M. Lipton	Related	— is President and CEO of NOVA Chemicals.																											
F. P. Boer	Unrelated																												
R.E. Dineen, Jr.	Unrelated																												
L.Y. Fortier	Unrelated																												
K.L. Hawkins	Unrelated																												
G.J. Maier	Unrelated																												
N. Pappas	Unrelated																												
J. G. Rennie	Unrelated																												
J.D. Thompson	Unrelated																												
M.K. Witte	Unrelated																												
4. a. Appoint a Committee responsible for appointment/assessment of directors	Yes	a.1 The mandate of the Corporate Governance Committee of the Board includes: — recommending candidates for the Board — reviewing, on an annual basis, credentials of nominees for re-election — recommending candidates for filling vacancies on the Board — ensuring qualifications are maintained — reviewing, on an annual basis, the performance of the Board and the Chairman and reviewing the mandates of each Board Committee.																											
b. Composed exclusively of non-management directors, the majority of whom are unrelated	Yes	b.1 All members of the Corporate Governance Committee are non-management and a majority are unrelated.																											

<u>Corporate Governance Guideline</u>	<u>Does NOVA Chemicals Align?</u>	<u>Comments</u>
5. Implement a process for assessing the effectiveness of the Board, its Committees and individual directors	Yes	The mandate of the Corporate Governance Committee includes: — monitoring the quality of the relationship between management and the Board and recommending improvements — surveying the directors regarding the effectiveness of Board operation as an informal assessment — reviewing, on an annual basis, the proposed Board and Committee agendas.
6. Provide orientation and education programs for new directors	Yes	The Corporate Secretary prepares a “Director’s Manual” for new and existing directors, which is updated from time to time. New Board members receive a director’s orientation. The Corporate Governance Committee recommends to the Board a broad list of topics for discussion. These topics often have a continuing education theme. Recent presentations have been given to the Board on comparative director liability between Canada and the United States, business conduct guidelines and the governance of NOVA Chemicals’ partially owned entities. In addition, directors are given updates on business and governance initiatives and in response to questions raised by Board members. At least one Board meeting each year is held at a plant site to give the directors additional insight into NOVA Chemicals’ business.
7. Consider reducing size of Board, with a view to improving effectiveness	Yes	A board must have enough directors to carry out its duties efficiently, while presenting a diversity of views and experience. NOVA Chemicals has two lines of business, with international operations. This defines the current number of directors. The Board reviews the contributions of the directors and considers whether the current size of the Board promotes effectiveness and efficiency. The Board believes it does.
8. Review compensation of directors in light of risks and responsibilities	Yes	The mandate of the Corporate Governance Committee includes reviewing and recommending to the Board the remuneration of directors. In determining directors’ remuneration, the Committee considers time commitment, comparative fees, risks and responsibilities.
9. a. Committees should generally be composed of non-management directors; and	Yes	Board committees are composed solely of non-management directors.
b. Majority of Committee members should be unrelated.	Yes	A majority of the members of each of the Board committees are unrelated directors.
10. a. Appoint a Committee responsible for approach to corporate governance issues	Yes	The mandate of the Corporate Governance Committee includes responsibility for the Board’s approach to corporate governance issues. Its mandate includes: — reviewing the mandates of the Board’s committees and recommending changes — recommending the allocation of directors to the various committees — undertaking such other initiatives as are needed to help the Board deliver exemplary corporate governance.
11. a. Define limits to management’s responsibilities by developing mandates for:		
(i) the Board	No	There is no specific mandate for the Board, since the Board has plenary power. Any responsibility which is not delegated to senior management or a Board committee remains with the full Board. In addition to those matters which must by law or by the Articles of NOVA Chemicals be approved by the Board, management is required to seek Board approval for major transactions including those that involve expenditures in excess of Cdn.\$50 million budgeted and Cdn.\$25 million non-budgeted. Changes in senior management are also approved by the Board.
(ii) the CEO	Yes	The CEO’s written objectives constitute a mandate on a year to year basis. These objectives includes the general mandate to maximize shareholder value.
b. Board should approve CEO’s corporate objectives	Yes	The Human Resources Committee approves the CEO’s written objectives on an annual basis, which are then reviewed by the full Board.

Corporate Governance Guideline	Does NOVA Chemicals Align?	Comments
12. Establish procedures to enable the Board to function independently of management	Yes	The Board meets independently of management for a portion of each meeting. The Corporate Governance Committee ensures that the Board functions independently of management. It is chaired by the Vice Chairman of the Board. The Board expects NOVA Chemicals' management to be responsible for the day-to-day functioning of NOVA Chemicals' business. The Board acts in a supervisory role and expects NOVA Chemicals' management to: (a) undertake an on-going review of NOVA Chemicals' strategies and their implementation in light of evolving business strengths, market conditions, technology and government regulation; (b) report in a complete, accurate and timely fashion on NOVA Chemicals' business and affairs, and on any matters of material consequence for NOVA Chemicals and its shareholders; (c) conduct a comprehensive annual budgeting process and closely monitor NOVA Chemicals' financial performance against the annual budget; and (d) take timely actions respecting NOVA Chemicals' activities within the framework of legal requirements and the corporate policies in effect, with a view to enhancing shareholder value. The positions of Chairman of the Board and the CEO are separate and held by two individuals. One of the CEO's written objectives is to improve the quality of interaction between management and the Board.
13. a. Establish an Audit Committee with a specifically defined mandate	Yes	a.1 The mandate of the Audit, Finance and Risk Committee includes: — monitoring audit functions and the preparation of financial statements — approving press releases on financial results — reviewing all prospectuses, material change reports and the annual information documents — meeting with the outside auditors independently of management — reviewing and approving foreign currency and commodity risk hedging strategies — overseeing the funding and administration of NOVA Chemicals' pension plans — overseeing risk management.
b. all members should be non-management directors	Yes	
14. Implement a system to enable individual directors to engage outside advisers, at the corporation's expense	Yes	Individual directors can engage outside advisers with the authorization of the Chairman of the Board or the Chairman of a committee.

we are ready

"We are ready" is our answer to "Why invest in NOVA Chemicals?" We've assembled a dynamic leadership team; created a five-point strategy that is simple and strong; become the largest styrenics player in North America; developed unique and competitive polyethylene processing technology; and are building one of the world's largest and lowest-cost olefins/polyolefins complexes. → We want to be the best commodity chemical company in the world, delivering the highest returns in the industry to our shareholders. → In 1999, and beyond, we will see clearer, grow stronger, get better, and move even faster.



Our five-point strategy is simple and powerful. We will continue to: → Focus on commodity chemicals products – ethylene and polyethylene, styrene and isobutylene. → Work to achieve the lowest-cost position across our entire product slate – using our feedstock advantage, new and large-scale facilities, and technical acumen to deliver every grade of every product & make at the lowest cost in the industry. → Build on our sustainable competitive advantage – one of the lowest-cost feedstock positions in North America. → Invest in high returns – imposing a threshold after-tax rate of 16% return on capital for every major investment. → Consolidate or participate actively in consolidation to drive step changes in productivity, cash flow, synergies, and create substantial shareholder value.

clearer

we're going



Our five-point strategy is simple and powerful. We will continue to:

- Focus on commodity chemicals products – ethylene and polyethylene, styrene and polystyrene.
- Work to achieve the lowest-cost position across our entire product slate – using our feedstock advantage, efficient, large-scale facilities, and technical acumen to deliver every grade of every product we make at the lowest cost in the industry.
- Build on our sustainable competitive advantage – one of the lowest-cost feedstock positions in North America.
- Invest only for high returns – applying a threshold after-tax rate of 16% return on capital for every major investment.
- Be an industry consolidator – participating actively in consolidation to drive step changes in productivity, capture operational synergies, and create substantial shareholder value.

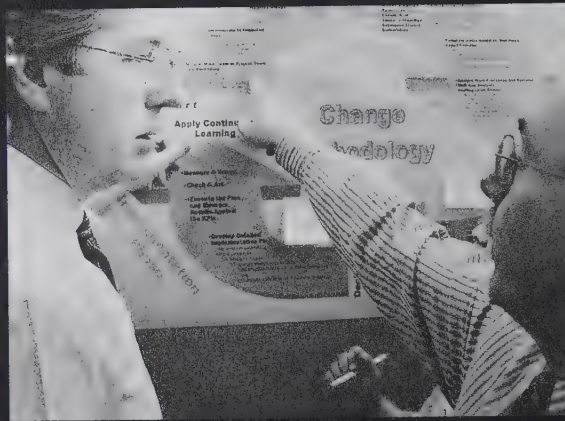
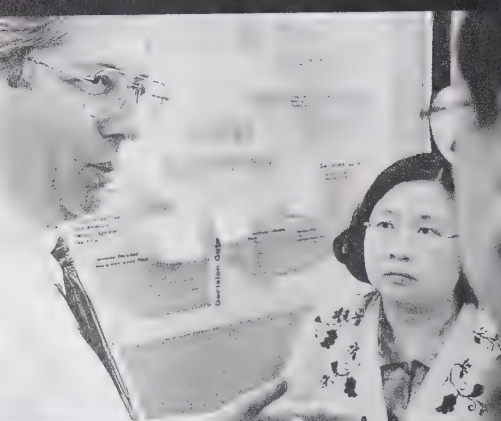
clearer

august 98

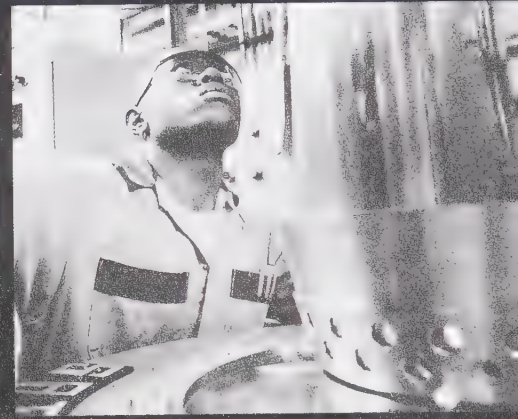
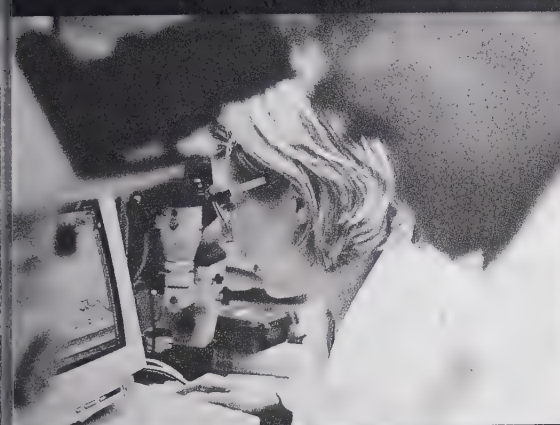
Announced our intention to divest non-core

july 98

Granted stock options to each NOVA Chemicals' employee - establishing a clear connection between our employees' roles, NOVA Chemicals' performance and our commitment to shareholder value.



assets, such as Dynegy Inc., to sharpen our commodity chemicals focus and strengthen our balance sheet.



Improving operations and productivity, and streamlining our polystyrene product line to reduce costs and improve overall margins.



When completed in 2009, we expect our Joffre, Alberta facility to be a high-capacity, low-cost olefins/polyolefins manufacturing complex. Our polyethylene technology, called Advanced SECURECH™, is capable of delivering superior resins and serving as a platform to deliver additional product lines, increasing revenues. Our Huntsman styrenics acquisition makes NOVA Chemicals not only North America's largest styrenics player, but also the most comprehensive offering customers one of the broadest polystyrene product portfolios and technology platforms in the industry.

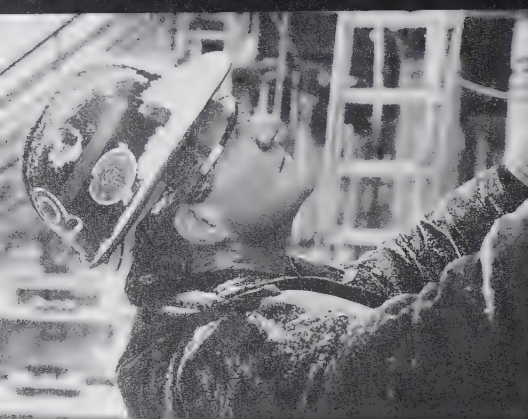
stronger



When completed in 2000, we expect our Joffre, Alberta facility to be North America's largest and lowest-cost olefins/polyolefins manufacturing complex. Our polyethylene technology, called Advanced SCLAIRTECH™, is capable of delivering superior resins and serving as a platform to build licensing revenues. Our Huntsman styrenics acquisition makes NOVA Chemicals not only North America's largest styrenics player, but also the most versatile, offering customers one of the broadest polystyrene product portfolios and technology platforms in the industry.

stronger

Joffre plant expansion will increase overall ethylene



September 98

Announced the discovery of new single-site catalysts. Moving from the position of polyethylene technology buyer to polyethylene technology developer - and a potential industry leader - all at a fraction of the investment made by others.

**Huntsman acquisition has increased styrene production capacity by 71%
and polystyrene production capacity by 140%.**

production capacity by 28%, and polyethylene production capacity by 33% starting in mid-2000.



January 99

Increased Sarnia plant styrene capacity by 58% with new state-of-the-art processes and achieved lower unit production costs.



We're getting even better at lowering costs and improving business processes, and integrating them to improve
management of our company. How? By combining talented people with advanced
information and process technology. Better technology drives better logistics planning,
purchasing and manufacturing and enables all employees to leverage these advantages
enterprise-wide. It also enables us to accelerate the speed and accuracy at which we are able to work.

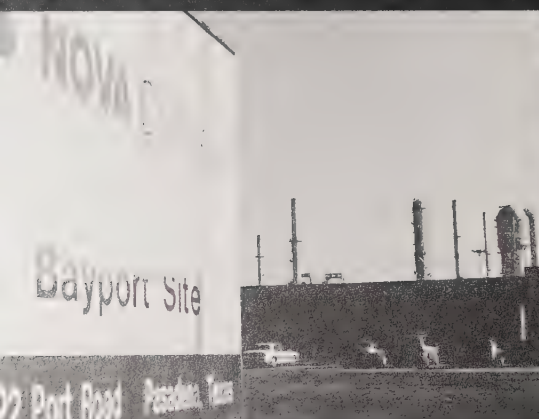
better



We're getting even better at reducing costs and improving business processes, and integrating these improvements throughout our company. How? By combining talented people with advanced information and process technology. Better technology drives better logistics planning, purchasing and manufacturing and enables all employees to leverage these advantages enterprise-wide. It also enables us to accelerate the speed and accuracy at which we are able to work.

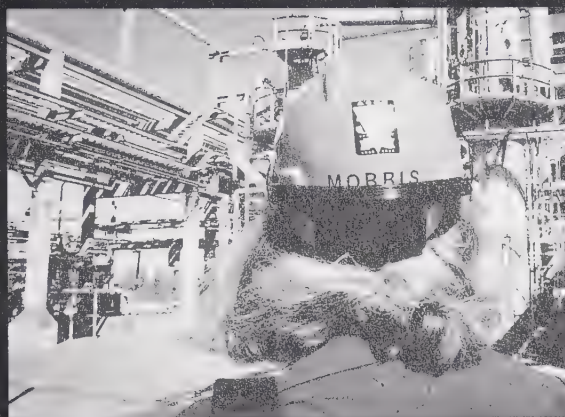
better

Olefins/Polyolefins business targeting earnings improvements of \$45 million after-tax in 1999.



Styrenics business reduced unit fixed costs by 18% over 1997 levels.

Olefins/Polyolefins employees went the entire year without a lost-time incident. Safe operating practices protect our employees and our neighbors, and mean fewer processing interruptions and lower operating costs.



Committed to reducing fixed and variable costs with integrated purchasing and logistics functions in 1999.



At NOVA Chemicals, we believe "speed wins." Moving quickly means we are constantly seeking more efficient ways to accomplish the tasks that will deliver measurable, bottom-line results. Whether it's the time it takes to create a new, complex plastic resin for a customer, produce a billion pounds of polyethylene or convert product inventory into cash, we are moving faster in a world that demands and rewards speed. It also means we must have a leadership team and board of directors ready and able to move rapidly to both identify and exploit opportunities when they arise.

faster



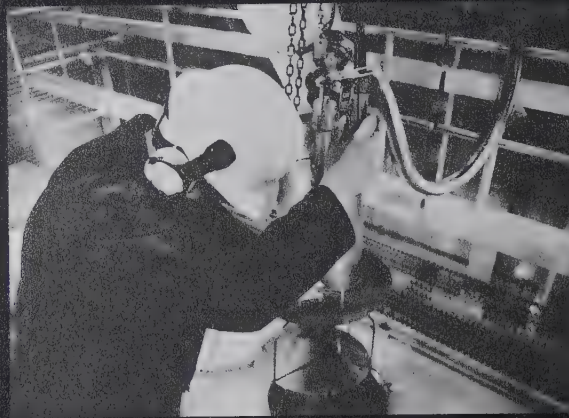
we're

give

At NOVA Chemicals, we believe “speed wins.” Moving quickly means we are constantly seeking more efficient ways to accomplish the tasks that will deliver measurable, bottom-line results. Whether it’s the time it takes to create a new, complex plastic resin for a customer, produce a billion pounds of polyethylene or convert product inventory into cash, we are moving faster in a world that demands and rewards speed. It also means we must have a leadership team and board of directors ready and able to move rapidly to both identify and exploit opportunities when they arise.

faster

*Optimizing the value of our investment in integrated
target the highest return products and customers,*



*Moore Township plant increased 1998 throughput rates of both low- and high-density polyethylene by 10%,
setting output records and lowering unit costs.*

*business information technology to improve our business processes,
speed up services and reduce costs.*



*Polyethylene and polystyrene research and development organizations accelerated product development cycle times
to speed up technological innovation.*

By seeing clearer, growing stronger, getting better and moving faster, NOVA Chemicals is poised for growth.

At this point in the commodity chemicals cycle, with product prices at or near the bottom, we believe there's no better time to consider the potential value of investing in our company and our people. We intend to improve our business performance steadily over the next few years, regardless of the industry supply and demand balance. When pricing improves, we will be ready to deliver outstanding returns to our shareholders.



Jeff Lipton, President and CEO

Why invest in NOVA Chemicals? The answer is straightforward – because we are ready to deliver. NOVA Chemicals was created on July 2, 1998, spun out of the merger of NOVA Corporation and TransCanada PipeLines. We are building a new, vibrant company based on the strengths of the former NOVA Corporation. We will continue to respect and invest in every individual employee and we are committed to being a good neighbor at all of our locations. We are also building on a unique physical asset base. Our modern, world-scale plants and unique feedstock positions provide true competitive advantage.

To this foundation, we have added outstanding leaders, strategic focus, a sense of urgency and a commitment to be the best commodity chemical company in the world. To deliver on our commitment, we must bring more value to our customers, and deliver higher returns to shareholders than any other company in our industry.

Our corporate strategy is simple. It is based on our strengths and deals with the realities of our highly competitive industry.

• *We will focus on commodity chemicals:* While it seems that almost every company in our industry wants to shift its emphasis to specialty products, we are focusing all of our talent and energy on commodity resins and



petrochemicals. Why? Because we believe we can deliver outstanding returns in these businesses by building on our unique strengths and developing an unrelenting drive for productivity. We also believe that continued strong demand growth will generate excellent opportunities for many years to come.

→ *We will be the low-cost supplier of every grade of every product we make:* Everyone in our industry is trying to achieve this goal. Few have any chance of attaining it. Monomer costs generally represent more than 50% of industry revenue in our key product lines, polystyrene and polyethylene. No company can hope to be a low-cost provider unless it has very low-cost feedstock. We have, as outlined on page 44, one of the lowest-cost feedstock positions in North America and we are improving our operations, logistics and purchasing costs at a rapid rate.

› *We will build on our sustainable competitive advantage:* In tough businesses like ours, even the best companies can't generate greater than cost of capital returns through a business cycle without uniqueness in some important aspect of their operations. We will only invest shareholder capital in new projects where we have sustainable advantages – like low-cost ethane and plant scale in Alberta.

› *We will invest only for high returns:* We will not invest in major projects unless we can earn 16% after-tax on the capital we employ. We've chosen a very high hurdle rate, significantly greater than the cost of capital

Sheila O'Brien

Senior Vice President,
Human Resources,
Public Affairs and
Investor Relations

Larry MacDonald

Senior Vice President
Manufacturing East



we expect to face in the next decade. We will never be the best unless we earn superior returns on our growth. And we have more than enough opportunities to choose from.

• *We will actively participate in industry consolidation:* We feel that step changes in productivity are necessary to stay at the forefront of competition. We are convinced that consolidation of similar businesses is the only route that will deliver the production and product-line simplification, and the purchasing, logistics and overhead cost reductions, we seek.

Our corporate strategy is designed to be clear to our employees, customers and investors. Although it is simple, we will not be simple-minded about deploying it. Every element is consistent and aimed at the best use of resources and capital.

We are investing \$750 million at our Joffre, Alberta site, building on our substantial, low-cost feedstock advantage. Our project will start up in mid-2000 and will make Joffre one of the world's largest ethylene/polyethylene complexes. We are working with two power companies to build a new cogeneration unit, and BP Amoco will build a world-scale linear alpha olefins plant on the site. When the program is complete, NOVA Chemicals will be North America's lowest-cost and third-largest ethylene producer, and fifth-largest polyethylene producer.

Terry Poole

*Executive Vice President,
Finance and Strategy*

Jack Mustoe

*Senior Vice President,
Legal and General Counsel*

John Wheeler

*Senior Vice President and
Chief Information Officer*



On December 31, 1998, with the acquisition of the major portion of Huntsman Corporation's styrenics business, we became the largest styrenics producer in North America. We now have very low-cost styrene and the broadest polystyrene product line in the industry. When we're through rationalizing product lines and plants, fully utilizing technology and European and U.S. market positions, and reducing overhead costs, we expect to be the lowest-cost provider. The deal will generate high returns and positions NOVA Chemicals to become the world's best polystyrene producer.

We accomplished a number of other important things in 1998. We have developed unique, patentable polyethylene catalyst and process technology that has the potential to place us among the leaders in our industry. This technology, called Advanced SCLAIRTECH, will enable NOVA Chemicals to be at the forefront of new polyethylene product development without paying royalties, and will allow us to produce high-margin products at the lowest costs in the industry.

We have also invested in new information systems that are fully installed and operating. These systems are supporting our people today as they maximize productivity and upgrade our product and customer mix. We have centralized information technology, supply

Dale Spiess

Senior Vice President,
Polyethylene Sales and Marketing

Wayne Lunt

Senior Vice President and
Chief Financial Officer



management and logistics functions and have recruited very talented and experienced people to lead these new organizations. We are changing the way we work throughout our company, and we expect to deliver higher quality service while substantially reducing our costs.

These achievements are impressive, but the one I am most proud of is our safety record. In the midst of major, fast-paced change our employees had by far the safest year in our history. Our 2,100 Olefins/Polyolefins employees went the entire year without losing a single work day due to an injury. In fact, our entire company experienced only three lost-time incidents, an extraordinary accomplishment for any company.

We have restructured our Board of Directors and appreciate the steady advice provided by those who have stayed with us, and the speed with which the new directors have learned about our business. The Board, led by Ted Newall as Chairman and Gerry Maier as Vice Chairman, has been extremely supportive of our strategy, our aggressive actions and our ambitions.

We have also formed one of the best leadership teams in our industry. They are smart, experienced and charged with energy. We believe we can do good things, have fun and generate outstanding returns for shareholders.

The Executive Leadership Team is joined by the broader NOVA Chemicals Leadership Team, and the rest of our employees, in our commitment to be the best commodity chemical company in the world. Employees at NOVA Chemicals own a stake in the future of this company: in July 1998, every employee was granted stock options and as of December 1998, 73% held shares. Every member of the top three levels of management has also committed to a very significant investment in common shares. We are investing our futures and a very large portion of our personal net worth in this highly cyclical business.

Our company was launched at a difficult time in the supply/demand cycle. Profitability declined in the first six months of our existence. Our 1998 earnings of \$18 million are a significant reduction from the \$111 million we earned in 1997. However, our company improved. We have lowered operating costs, expanded market share and have maintained a relatively strong balance sheet.

Why invest in NOVA Chemicals? There is more.

Pricing for polystyrene is the lowest it has been in decades and pricing for polyethylene is not much better. These low prices have been driven by oversupply and a sharp reduction in Asian and South American demand. Prices could go even lower in the short term, but low prices motivate plant closings and slow down capacity expansions. Demand for our products grows faster than GDP, and we will be ready when demand overtakes supply. We will be much more efficient, serve our customers better and, importantly, be much bigger. **A dollar invested in NOVA Chemicals today will provide significantly more exposure to polystyrene and polyethylene price improvements than any other investment.**

We started with a clear objective and strategy, and throughout 1998, NOVA Chemicals has worked to become better and stronger. We've also been faster at it than most expected. We believe in our ability to generate excellent returns for our shareholders. We know, after six months, we are ready.



Jeffrey M. Lipton, President and CEO

financial review

ethylene & polyethylene

Ethylene is a petrochemical building block we use in the production of polyethylene and polystyrene.

Polyethylene is used to make everyday plastic products, including housewares, toys, garbage bags and plastic film.

our products

styrene & polystyrene

Styrene, formed from benzene and ethylene, is a feedstock used in the production of polystyrene.

Our polystyrene (solid, expandable (EPS) and high-performance) resins are used to produce construction materials and household items like smoke detectors, appliances and food service-ware, and electronics such as television consoles and computer peripherals.

NOVA Chemicals ranks 4th

NOVA Chemicals ranks 6th

NOVA Chemicals ranks 1st

NOVA Chemicals ranks 1st

our industry ranking

NOVA Chemicals ranks 8th

NOVA Chemicals ranks 14th

NOVA Chemicals ranks 4th

NOVA Chemicals ranks 3rd

north america

ethylene production

- 1 Equistar
- 2 Dow
- 3 Exxon
- 4 NOVA Chemicals
- 5 Shell

polyethylene production

- 1 Equistar
- 2 Exxon
- 3 Dow
- 4 Union Carbide
- 5 Chevron

styrene production

- 1 NOVA Chemicals
- 2 Lyondell
- 3 Chevron
- 4 Sterling
- 5 Dow

polystyrene production

- 1 NOVA Chemicals
- 2 Dow
- 3 BASF
- 4 Petrofina
- 5 Chevron

our operations

global

ethylene production

- 1 Dow
- 2 Equistar
- 3 Shell
- 4 Exxon
- 5 BP Amoco
- 6 Union Carbide
- 7 SABIC

polyethylene production

- 1 Dow
- 2 Exxon
- 3 Equistar
- 4 Union Carbide
- 5 Borealis
- 6 Solvay
- 7 Elenac
- 8 Polimerie
- 9 Phillips
- 10 Chevron
- 11 BP Amoco
- 12 Petrofina
- 13 Mobil

styrene production

- 1 Dow
- 2 Shell
- 3 BASF
- 4 NOVA Chemicals
- 5 Lyondell

polystyrene production

- 1 BASF
- 2 Dow
- 3 NOVA Chemicals
- 4 Chi Mei

- plant site
- research/technical facilities
- NOVA Chemicals' minority interest, joint venture or tolling arrangements
- pilot plants



Styrenics sites

- Bayport, Texas
- Channelview, Texas^{††}
- Sarnia, Ontario
- Beaver Valley, Pennsylvania
- Belpre, Ohio
- Carrington, United Kingdom
- Chesapeake, Virginia
- Decatur, Alabama
- Joliet, Illinois
- Montréal, Québec
- Painesville, Ohio
- Peru, Illinois*
- Ribécourt, France
- Springfield, Massachusetts

Olefins/Polyolefins sites

- Corunna, Ontario
- Joffre, Alberta
- Moore Township, Ontario
- St. Clair River, Ontario
- Rockport, New Jersey

Equity investments

- 27.1% interest in Methanex Corporation
- 25.5% interest in Dynegy Inc.

* tolling arrangement

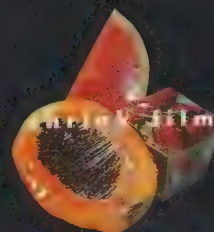
† equity ownership

† ranking as at December 31, 1998

* solid, expandable and high-performance polystyrene



children's outdoor toys



Olefins/Polyolefins

polyethylene capacity 2.6 billion pounds

NOVA Chemicals produces and markets a range of polyethylene products. These resins are marketed under the brand names NOVAPOL® and SCLAIR® and are used by our customers for a wide variety of end uses:

• LLDPE (Linear Low-Density Polyethylene)

Shrink film, stretch film, heavy duty sacks, agricultural film and merchandise bags

• LDPE (Low-Density

Polyethylene) Foam packaging, wire and cable insulation, grocery sacks and industrial liners

• HDPE (High-Density Polyethylene) *Household chemical bottles, pails, pipe, drums, grocery sacks, ice cream tubs and shipping containers*

Polyethylene is produced by polymerizing (a process involving heat and additives) ethylene. In the process of producing ethylene from natural gas and petroleum-based feedstocks, a number of valuable "co-products" are created. NOVA Chemicals uses these products for its own production requirements or markets them to third parties.

• Propylene Polypropylene

• Butadiene Rubber, household plumbing applications

• High purity and specialty hydrogen Agricultural fertilizers, edible oils

• Energy products Diesel fuel, gasoline components, heating oil, industrial fuels

• Benzene Nylon, styrene, specialty chemicals

• CO₂ Enhanced oil recovery

growing
for our

north
america
7%

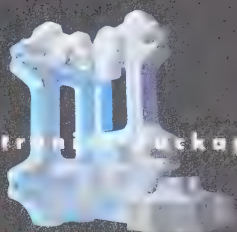
global
2%

polyethylene
market share

television consoles and
computer peripherals



electronic packaging



"to-go" food service-ware



Styrenics

polystyrene capacity 3.1 billion pounds

NOVA Chemicals produces and markets several types of styrenic polymers under the NOVA Chemicals brand name and other brand names such as ARCEL®, DYLARK®, DYLENE®, DYLITE®, GEDEXCEL®, NAS® and ZYLAR®.

→ **Styrene monomer** Base material for polystyrene, EPS, ABS (acrylonitrile butadiene styrene), acrylics, coatings and specialty products

→ **Polystyrene** Refrigerator liners, CD and cassette cases, food service-ware (cups, plates, utensils), food packaging, linens, toys, appliances and tub and shower surrounds

→ **Expandable polystyrene (EPS)** Cups, foam packaging, flotation devices, concrete forms, construction insulation, sports equipment and safety equipment

→ **High-performance styrenics** Television consoles, appliances, consumer products, electronics, computer peripherals, cosmetics packaging and medical devices

→ **DYLARK Automotive** instrument panels, microwaveable food packaging, industrial parts

With the acquisition of the majority of Huntsman Corporation's U.S. and European styrenics businesses at the end of 1998, NOVA Chemicals now has one of the broadest product portfolios and technology bases of any styrenics producer. We also have a greater ability to offer high-value product characteristics such as ignition resistance, color matching and specialized performance.

demand
products

north
america
28%*

global
9%*

styrenic polymers
market share

* post styrenics acquisition

NOVA Chemicals was launched as an independent company on July 2, 1998.

Polyethylene and Polystyrene

Prices (dollars per pound)



Launch of Independent Chemical Company

On July 2, 1998, NOVA Corporation was launched as an independent, publicly traded commodity chemical company immediately following the merger of NOVA Corporation and TransCanada PipeLines Limited (TransCanada). Effective January 1, 1999, NOVA Corporation and its wholly owned subsidiary, NOVA Chemicals Ltd., amalgamated to form NOVA Chemicals Corporation (NOVA Chemicals). All periods prior to July 2, 1998 presented for comparative purposes represent the results of NOVA Chemicals Ltd., which accounted for approximately 99% of the ongoing assets and revenues of NOVA Corporation. *In the third quarter of 1998, NOVA Chemicals began reporting its financial results in U.S. dollars while continuing to follow Canadian generally accepted accounting principles (GAAP).*

Styrenics Acquisition

On December 31, 1998, NOVA Chemicals acquired the majority of Huntsman's United States and European styrenics businesses. While the operating results for 1998 do not reflect any impact from this transaction, the balance sheet fully reflects the acquisition. To help explain the potential impact of the styrenics acquisition on NOVA Chemicals' future consolidated results, certain pro forma financial results are included in Note 3 to the financial statements.

Forward-Looking Information

The information in this Annual Report contains forward-looking statements with respect to NOVA Chemicals Corporation (NOVA Chemicals), its subsidiaries and affiliated companies. By their nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include: commodity chemicals price levels (which depend, among other things, on supply and demand for these products, capacity utilization and substitution rates between these products and competing products); feedstock prices; operating costs; technology developments; Canadian-U.S. exchange rates; meeting time and budget targets for significant capital investments; avoiding unplanned facility shutdowns; safety, health and environmental risks associated with the operation of chemical plants and marketing of chemical products, including transportation of these products; public perception of chemicals and chemical end products; performance of Dynegy Inc. and Methanex Corporation; and other risks detailed from time to time in the publicly filed disclosure documents and securities commissions reports of NOVA Chemicals and its subsidiaries or affiliated companies.

Key Risks and Uncertainties Faced by NOVA Chemicals

NOVA Chemicals is in the commodity chemicals industry. Pricing volatility is driven by the supply/demand balance for the end products we produce: polyethylene and polystyrene. Demand for these products is driven by global GDP growth. As global economies grow, consumers demand greater volumes of the end products produced from our plastic resins: plastic bags, construction materials, food service-ware and electronics, for example.

The commodity chemicals price cycle is characterized by periods of strong prices called peaks, and periods of weak prices called troughs. The cyclical nature of the industry is driven by the addition of new capacity to fulfil demand requirements. Construction of new capacity often occurs in large increments as producers attempt to maximize economies of scale. This new supply often outpaces demand growth, leading to an excess of supply over demand, or a trough period. The last three commodity chemicals cycles have lasted an average of seven years. Although global GDP growth and world plant operating rates can be helpful indicators of the timing and duration of each portion of the cycle, NOVA Chemicals is not able to forecast the timing of these cycles.

As a result of these cycles, NOVA Chemicals' earnings are most sensitive to changes in the prices for the products we produce. In manufacturing businesses, end-product prices typically vary with input costs, and financial performance is largely contingent upon the difference between revenue and variable operating costs. At NOVA Chemicals, feedstock costs generally represent more than 50% of revenues. Since polyethylene and polystyrene are produced from natural gas and petroleum-based feedstocks, world crude oil and natural gas prices play a significant role in the margins and prices of our end products. NOVA Chemicals attempts to minimize input costs by negotiating long-term arrangements for the purchase of a significant portion of its feedstock requirements and/or putting in place financial hedges.

At year-end 1998, polyethylene prices were one cent per pound below previous trough levels, while polystyrene prices were four cents per pound below previous trough levels. In 1999, polyethylene supply is expected to exceed demand due to significant capacity additions and weakened economies in Asia and South America. The polystyrene supply/demand balance is expected to be somewhat tighter in 1999. Less than 300 million pounds of new capacity is planned for 1999 and 2000. In addition, some industry plant closures occurred in 1998 and more are planned for 1999. Strong demand growth for both polyethylene and polystyrene is expected to continue in 1999; however, this growth is not expected to offset the effects of current excess supply.

The key factors accounting for the change in NOVA Chemicals' operated net income from 1997 to 1998 were:

lower product prices

- weighted average benchmark polyethylene prices down nine cents per pound

- weighted average benchmark polystyrene prices down four cents per pound

offset by lower feedstock costs

+ ethylene and benzene prices down 26%

+ crude oil prices down 29%

- natural gas prices up 10%

and lower fixed costs

+ \$10 million after-tax reduction

NOVA Chemicals Earnings Highlights

(millions of dollars except per share amounts)

	1998	1997	1996
Net income (loss)			
Olefins/Polyolefins	\$ 61	\$ 145	\$ 163
Styrenics	(35)	(38)	(2)
Corporate and other	3	(14)	(26)
NOVA Chemicals operated	29	93	135
Methanex	(25)	39	(10)
Dynegy	26	(19)	28
Styrenics restructuring charge and other	(12)	(2)	-
Net income	\$ 18	\$ 111	\$ 153
Net income per share ¹	\$ 0.17	\$ 1.21	\$ 1.66

¹ Assumes 92 million common shares outstanding for comparative purposes.

Factors Affecting NOVA Chemicals 1999 Net Income ¹

Assumptions ²	Estimated annual income increase (decrease)	Assumed third-party sales
Increase in profit margin of U.S. 1¢ per pound		
Ethylene ³	\$ 5 million	1.0 billion lbs.
Polyethylene	\$ 17 million	2.6 billion lbs.
Styrene ⁴	\$ 5 million	0.8 billion lbs. ⁵
Polystyrene ^{4,6}	\$ 18 million	2.8 billion lbs.
Propylene	\$ 5 million	0.9 billion lbs.
U.S. \$10 million increase in Methanex's net income	\$ 3 million	
U.S. \$10 million increase in Dynegy's net income	\$ 3 million	

¹ The company has not disclosed the potential impact of foreign exchange rate changes for 1999, as substantially all of its anticipated Canadian dollar costs have been hedged.

² A decrease in these factors will have the opposite effect on net income.

³ Excludes cost-of-service third-party sales.

⁴ Includes production capacity acquired with Huntsman acquisition.

⁵ Estimate based on projected utilization rates. Is not net of short-term purchase arrangements.

⁶ Includes solid polystyrene and EPS.

Changes in NOVA Chemicals Net Income

(millions of dollars; after tax)

	1998 Compared with 1997	1997 Compared with 1996
Lower margins ¹	\$ (108)	\$ (23)
Higher sales volumes	25	7
Lower (higher) fixed costs	10	(8)
Higher (lower) licensing revenue	2	(3)
Lower (higher) interest expense	6	(7)
Lower (higher) depreciation expense	6	(7)
Other	(5)	(1)
Decrease in NOVA Chemicals' operated net income	(64)	(42)
Styrenics restructuring charge	(12)	-
Higher (lower) equity earnings in Methanex	(64)	49
Higher (lower) equity earnings in Dynegy	45	(49)
Other	2	-
Decrease in net income	\$ (93)	\$ (42)

¹ Calculated as revenue less variable operating costs.

NOVA Chemicals 1998 Financial Performance

In 1998, NOVA Chemicals earned \$18 million (\$0.17 per share), down \$93 million from the \$111 million (\$1.21 per share) earned in 1997. Net income from the businesses NOVA Chemicals operates was \$29 million, down from \$93 million in 1997 largely as a result of a significant decline in product prices. The negative impact of these lower product prices was partially offset by lower average feedstock costs, higher sales of co-products from NOVA Chemicals' ethylene facility at Corunna and a reduction in fixed costs, the after-tax impact of which was \$10 million.

During 1998, the commodity chemicals industry experienced an excess of supply over demand, leading to significantly lower average selling prices. Weighted average benchmark polyethylene prices fell nine cents or 21% per pound, while weighted average benchmark polystyrene prices fell four cents or 9% per pound.

NOVA Chemicals' equity investments in Methanex Corporation (Methanex) yielded a loss of \$25 million in 1998, down significantly from an equity earnings contribution of \$39 million in 1997. Methanol prices declined due to a supply/demand imbalance similar to that experienced in the polyethylene and polystyrene markets. NOVA Chemicals' Dynegy Inc. (Dynegy) investment contributed earnings of \$26 million in 1998, compared with a loss of \$19 million in 1997. Results for 1997 included a one-time restructuring charge, NOVA Chemicals' share of which was \$39 million.

NOVA Chemicals' 1998 net income was also negatively impacted by a \$12 million after-tax charge taken in the third quarter of 1998 to restructure the Styrenics business.

Further details on the financial and operating performance of NOVA Chemicals follow in the Olefins/Polyolefins (page 42) and Styrenics (page 47) sections.

Olefins/Polyolefins

1998 Market Share



Joffre/Corunna Ethylene Capacity
(billions of pounds)



OUR OLEFINS/POLYOLEFINS OPERATIONS

Polyethylene Produced at Three Sites in North America

With total polyethylene production capacity of approximately 2.6 billion pounds, NOVA Chemicals is the sixth-largest producer in North America, where we produce polyethylene at three locations. We have: 1.3 billion pounds of LLDPE capacity at Joffre; 750 million pounds of LDPE and HDPE capacity at the Moore Township site; and up to 600 million pounds of LLDPE and HDPE capacity at the St. Clair River site. Based on announced expansions, including NOVA Chemicals' own construction of an 850-million-pound facility at Joffre, NOVA Chemicals expects to be North America's fifth-largest polyethylene producer by 2001.

Fourth-Largest Producer of Ethylene in North America

In 1998, NOVA Chemicals had North America's fourth-largest ethylene production capacity, at 5.0 billion pounds. The company's Joffre, Alberta site is currently the fourth-largest ethylene production site in North America, with annual capacity of 3.4 billion pounds. Two ethylene plants, E1 and E2, operate at Joffre, producing ethylene from natural-gas-derived ethane. In 1998, the Joffre facility ran at essentially full capacity despite a planned maintenance turnaround at E2. With the expected start-up of a new ethylene plant (E3) and the new polyethylene plant in 2000, Joffre will become one of the largest ethylene and polyethylene complexes in the world.

NOVA Chemicals' Corunna plant, near Sarnia, Ontario, has an annual capacity of approximately 1.6 billion pounds of ethylene and 4.5 billion pounds of chemicals and energy products (also known as co-products). This facility features one of the world's most flexible feedstock operating platforms – enabling the facility to process a wide range of hydrocarbon feedstocks. A variety of primary petrochemicals are produced and either consumed internally by NOVA Chemicals' manufacturing operations or sold to third parties. In 1998, the Corunna facility sold a total of 4.4 billion pounds of co-products, including 800 million pounds of propylene.

Sales Volumes

	1998
	1,143
	296
	457
	562
	2,458

The key factors affecting Olefins/Polyolefins net income in 1998 were:



Average Polyethylene Benchmark Prices (dollars per pound)



1998 Polyethylene Sales Revenue by Region



OLEFINS / POLYOLEFINS BUSINESS

Financial Highlights

	1998
Operating income	\$ 1.614
Income before taxes	\$ 280
Income taxes	\$ 122
Income after taxes	\$ 158
Minority interest	\$ 61
Net income	\$ 230
Net income per share	55
Operating income per share	\$ 285
Income before taxes per share	\$ 852
Income taxes per share	9.5%

Average Benchmark Prices on the U.S. Gulf Coast/

	1998
High-density polyethylene	\$ 0.18
Linear low-density polyethylene	\$ 0.30
Low-density polyethylene	\$ 0.33

1998 Performance

Polyethylene prices are the most significant profit driver for the Olefins/Polyolefins business. In 1998, this business remained profitable despite the lowest polyethylene prices in more than 10 years. The Olefins/Polyolefins business earned \$61 million, down from the \$145 million earned in 1997. During 1998, weighted average benchmark polyethylene prices were nine cents per pound or 21% lower than in 1997. The negative effect of these weaker product prices was somewhat offset by lower feedstock costs and stronger sales volumes.

In 1998, NOVA Chemicals' Olefins/Polyolefins business worked towards its goals of improving marketing efforts, reducing costs and building for the future. The Olefins/Polyolefins' marketing efforts were focused on maximizing sales, shifting polyethylene sales to higher margin, value-added business and improving customer service. These efforts resulted in record polyethylene sales volumes. In addition, our polyethylene plants operated at 95% of design capacity, with the Moore Township and St. Clair River facilities producing record volumes of polyethylene.

A portion of NOVA Chemicals' polyethylene is sold in non-North American markets. Due to the decline in Asian polyethylene demand, NOVA Chemicals reduced Asian sales and moved volumes to other international and domestic markets with stronger market pricing.

New, Large-Scale Facilities

To achieve significant economies of scale, build on its competitive feedstock advantage in Alberta, and build a platform from which to upgrade its product mix, NOVA Chemicals has two plants under

Joffre Production Capacity (billions of pounds at year-end)

NOVA Chemicals Ltd. Joffre, Alberta
Production capacity (billions of pounds at year-end)
1998: 2.8
1999: 2.8
2000: 2.8
2001: 2.8
2002: 2.8
2003: 2.8
2004: 2.8
2005: 2.8
2006: 2.8
2007: 2.8
2008: 2.8
2009: 2.8
2010: 2.8
2011: 2.8
2012: 2.8
2013: 2.8
2014: 2.8
2015: 2.8
2016: 2.8
2017: 2.8
2018: 2.8
2019: 2.8
2020: 2.8
2021: 2.8
2022: 2.8
2023: 2.8
2024: 2.8
2025: 2.8
2026: 2.8
2027: 2.8
2028: 2.8
2029: 2.8
2030: 2.8



NOVA Chemicals Ltd. Joffre, Alberta
Production capacity (billions of pounds at year-end)
1998: 2.8
1999: 2.8
2000: 2.8
2001: 2.8
2002: 2.8
2003: 2.8
2004: 2.8
2005: 2.8
2006: 2.8
2007: 2.8
2008: 2.8
2009: 2.8
2010: 2.8
2011: 2.8
2012: 2.8
2013: 2.8
2014: 2.8
2015: 2.8
2016: 2.8
2017: 2.8
2018: 2.8
2019: 2.8
2020: 2.8
2021: 2.8
2022: 2.8
2023: 2.8
2024: 2.8
2025: 2.8
2026: 2.8
2027: 2.8
2028: 2.8
2029: 2.8
2030: 2.8

Ethylene Cost of Production

NOVA Chemicals Ltd. Joffre, Alberta
Ethylene cost of production (dollars per barrel)
1998: 1.0
1999: 1.0
2000: 1.0
2001: 1.0
2002: 1.0
2003: 1.0
2004: 1.0
2005: 1.0
2006: 1.0
2007: 1.0
2008: 1.0
2009: 1.0
2010: 1.0
2011: 1.0
2012: 1.0
2013: 1.0
2014: 1.0
2015: 1.0
2016: 1.0
2017: 1.0
2018: 1.0
2019: 1.0
2020: 1.0
2021: 1.0
2022: 1.0
2023: 1.0
2024: 1.0
2025: 1.0
2026: 1.0
2027: 1.0
2028: 1.0
2029: 1.0
2030: 1.0



NOVA Chemicals Ltd. Joffre, Alberta
Ethylene cost of production (dollars per barrel)
1998: 1.0
1999: 1.0
2000: 1.0
2001: 1.0
2002: 1.0
2003: 1.0
2004: 1.0
2005: 1.0
2006: 1.0
2007: 1.0
2008: 1.0
2009: 1.0
2010: 1.0
2011: 1.0
2012: 1.0
2013: 1.0
2014: 1.0
2015: 1.0
2016: 1.0
2017: 1.0
2018: 1.0
2019: 1.0
2020: 1.0
2021: 1.0
2022: 1.0
2023: 1.0
2024: 1.0
2025: 1.0
2026: 1.0
2027: 1.0
2028: 1.0
2029: 1.0
2030: 1.0

construction at Joffre. These are expected to start up in mid-2000 and consist of a 2.8 billion pound ethylene plant (E3), in a joint venture with Union Carbide Canada Inc. (Union Carbide), and an 850 million pound polyethylene plant that will produce polyethylene using our proprietary Advanced SCLAIRTECH technology. In addition, construction of a 400-megawatt cogeneration plant, in which NOVA Chemicals is a 20% participant, is under way. This plant will supply cost-effective power to the entire Joffre site. CU Power Canada Limited (40%) and EPCOR Power Development Corporation (40%) are the other participants in this project.

During 1998, construction of these large-scale plants progressed on budget and on schedule. On completion, NOVA Chemicals will have invested approximately \$750 million in the Joffre expansion. By combining advanced technology, large-scale facilities and access to low-cost feedstock, NOVA Chemicals expects to earn significant returns from its investments in these plants.

In addition, BP Amoco Corporation will build a linear alpha olefins plant on the Joffre site. The plant will supply linear alpha olefins to NOVA Chemicals' polyethylene facilities at a competitive cost and will contribute to the cost-efficiencies of the large-scale Joffre manufacturing site.

Making Progress with Technology

NOVA Chemicals has retrofitted its St. Clair River facility with portions of the Advanced SCLAIRTECH technology. In late 1998, we successfully ran trials of this new technology, and product development and testing are currently under way with customers.

We have also developed a series of unique, single-site catalyst families which can be used in our solution manufacturing facilities, and which we believe can be used in our gas phase manufacturing facilities. Patents have been applied for and the first were published in late 1998. The use of these catalysts with our Advanced SCLAIRTECH technology platform has the potential to offer superior performance and value to our customers.

These developments are expected to position NOVA Chemicals among polyethylene technology leaders. When fully proven and patented, we believe our process and catalyst technology will be the low-cost route to the new products our customers will want in the coming decade.

Our Cost Advantages Compared to USGC Producers

Our Joffre, Alberta ethylene plant is the low-cost production leader in North America and is strategically situated adjacent to one of North America's largest natural gas supply basins. Joffre's feedstock cost advantage is built on three approximately equal elements: low-cost natural gas; highly efficient ethane gathering and extraction; and significant economies of scale in the conversion of ethane to ethylene. Of these three elements, the only expected fluctuation of note is in the cost of natural gas. A moderate transportation disadvantage results from the Joffre facilities' relative distance to major markets.

Over the last several years, the price of natural gas in Alberta has been lower than U.S. Gulf Coast (USGC) natural gas prices by a margin which is more than the transportation differential between the two areas. Even if the price differential between these markets were to narrow as a result of additional natural gas export capacity into the higher priced U.S. markets, we expect to continue producing ethylene at Joffre at a lower cost than the average USGC ethylene producer, taking our moderate polyethylene transportation disadvantage into account. This is because of the efficient ethane gathering and extraction facilities in Alberta and our large-scale, low-cost ethylene conversion process.

Internal Ethylene Consumption at Joffre (billions of pounds)



External Ethylene Sales at Joffre (billions of pounds)



Effective January 1, 1999, we finalized new, more favorable ethane supply agreements for a portion of the ethane used to produce ethylene at our Joffre facilities, E1 and E2. We now have binding commitments in place to satisfy the ethane requirements of E1 and E2, and for a significant portion of the requirements for our facility under construction, E3. All of these arrangements provide for NOVA Chemicals' ethane requirements up to mid-2004 and many extend beyond this time frame.

New pipelines may be constructed to transport natural gas liquids, including ethane, out of the province, potentially affecting the supply of ethane in Alberta. One such project has received approval from the National Energy Board. This may reduce the long-term potential for ethylene production facility expansions within Alberta. These developments are not expected to materially impact NOVA Chemicals' current operations or planned E3 expansion.

More Market-Facing Ethylene Sales Agreements

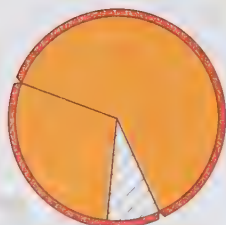
Up until December 31, 1998, all of the ethylene produced in NOVA Chemicals' ethylene facilities, E1 and E2, was either consumed internally or sold under long-term, cost-of-service agreements which provided for the recovery of costs. Due to their "cost-of-service" nature, these contracts moderated both the upside and downside earnings impact of changing market dynamics. In 1998, these contracts contributed earnings of \$21 million, including \$2 million contributed by E1. The cost-of-service contracts in place for E1 expired on December 31, 1998.

Starting January 1, 1999, approximately 60% (1.0 billion pounds) of the ethylene produced from E1 will be sold to third parties, with the remaining 40% to be used internally by NOVA Chemicals to produce polyethylene. Starting in the year 2000, we have contracts in place to market approximately 1.2 billion pounds per year of ethylene from E3 to third parties. For the 1.0 billion pounds of ethylene from E1 and the 1.2 billion pounds from E3, we have negotiated more flexible, market-facing contracts, rather than the current cost-of-service pricing mechanism in place for E2 ethylene. These new contracts consist of cost-recovery mechanisms and a market-indexed component, the combination of which is expected to result in increased earnings. In 1999, these higher earnings may be partially offset by the effect of lower operating rates at the Joffre facilities, due to weakness in the market for derivative products and a current oversupply of ethylene. The cost-of-service contracts for E2 expire on June 30, 2004.

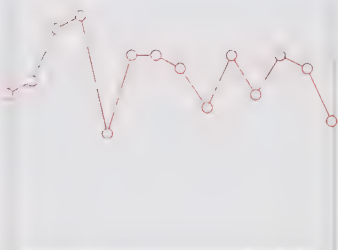
Valuable Co-Products Reduce Corunna Ethylene Costs

The Corunna "flexi-cracker" ethylene facility is one of North America's most flexible ethylene production facilities, able to process a range of feedstocks from crude oil to natural gas liquids. In 1998, approximately 70% of Corunna's feedstock supply was crude oil and condensates, while the remaining 30% was natural gas liquids (NGLs). Corunna's operators can optimize the feedstock mix based on forecast prices for crude oil, NGLs and co-products, resulting in lower-cost ethylene for our polyethylene and styrene manufacturing operations. Due to changing feedstock requirements, we have much shorter-term purchasing arrangements for our crude oil and NGLs for Corunna than our ethane feedstock arrangements at Joffre. As a result of its use of "heavier" feedstocks such as crude oil, Corunna produces a large volume of co-products. Combined with co-products from Joffre, these chemical and energy products generated more than \$300 million of revenue in 1998.

Co-Product Sales (billions of pounds)



North American Polyethylene Operating Rates (per cent)



Target of \$45 Million (Annualized) of Olefins/Polyolefins Net Income Improvements for 1999

Although NOVA Chemicals cannot control its most significant profit driver, product prices, it can focus on reducing controllable costs. In 1999, despite the current weak olefins/polyolefins markets, we are targeting \$45 million after-tax of annualized net income improvements. These improvements will come from: lower depreciation charges for E1; recontracted, long-term ethane supply and ethylene sales agreements; and reduced polyethylene processing royalties. We are also targeting additional reductions in fixed costs for 1999 by focusing on centralizing our logistics and purchasing functions and on optimizing the value of our company-wide information technology system. Due to the timing of some of these improvements, we do not expect to see their full impact in 1999.

OUTLOOK FOR POLYETHYLENE PRICES

Polyethylene prices depend on the global balance between product supply and demand. Demand growth is highly sensitive to growth in the global economy. Over the last 10 years, annual polyethylene demand has grown at an average rate of 1.9 times annual GDP growth. In 1999, we expect polyethylene demand growth to continue at this rate.

Average Annual Growth 1989-1998

Historically, a correlation has existed between industry plant operating rates (overall plant production as a percentage of capacity) and average commodity chemicals pricing. In the 1985 and 1993 troughs, polyethylene operating rates were 87% and 86% respectively. In the last peak years, 1988 and 1995, operating rates were 93% and 87% respectively. In 1998, North American polyethylene plant operating rates averaged 88%, down slightly from the average in 1997.

Based on available data, planned global capacity additions total 6.8 billion pounds of polyethylene in 1999 (5% of global capacity) and 8.3 billion pounds of polyethylene in 2000 (6% of global capacity). As a result, we expect operating rates to remain below 90% in the near term assuming only modest global GDP growth of approximately 2%.

Styrenics

1998 Polystyrene
Sales Revenue by Region



Average Styrene/Polystyrene
Benchmark Prices (dollars per pound)



OUR STYRENICS OPERATIONS

1998 Operations – Polystyrene Produced at Five Sites in North America

Prior to the Huntsman acquisition, NOVA Chemicals had a total capacity of 1.3 billion pounds in 1998, and was the third-largest polystyrene producer in North America. We produced polystyrene at five locations. In 1998, we had: 130 million pounds of capacity at Montréal; 395 million pounds of capacity at Decatur; and 310 million pounds of capacity at Springfield. We also produced EPS and other styrenic polymers, with 405 million pounds of capacity at Beaver Valley and 70 million pounds at Painesville. In 1998, we sold a total of 1.2 billion pounds of polystyrene.

STYRENICS BUSINESS

Financial Highlights (results do not reflect the impact of the Huntsman acquisition)

	1998
Operating income	\$ 542
Operating expenses	\$ (8)
Operating income	\$ 29
Operating expenses	\$ (37)
Operating income	\$ (35)
Operating expenses	\$ 66
Operating income	16
Operating expenses	\$ 82
Operating income	\$ 465
Operating expenses	(5.4%)

Average Benchmark Prices on the USGC /

	1998
Operating income	\$ 0.26
Operating expenses	\$ 0.40

The key factors which affected Styrenics' net income in 1998 were:

lower product prices

-

offset by lower feedstock costs

+

+

and lower fixed costs

+

Styrenics Acquisition - New Plant Capacities (millions of pounds)

1998	1,210
1997	1,055
1996	900
1995	750
1994	600
1993	450
1992	300
1991	150
1990	100
1989	50
1988	25
1987	12
1986	6
1985	3
1984	1
1983	0
1982	0
1981	0
1980	0
1979	0
1978	0
1977	0
1976	0
1975	0
1974	0
1973	0
1972	0
1971	0
1970	0
1969	0
1968	0
1967	0
1966	0
1965	0
1964	0
1963	0
1962	0
1961	0
1960	0
1959	0
1958	0
1957	0
1956	0
1955	0
1954	0
1953	0
1952	0
1951	0
1950	0
1949	0
1948	0
1947	0
1946	0
1945	0
1944	0
1943	0
1942	0
1941	0
1940	0
1939	0
1938	0
1937	0
1936	0
1935	0
1934	0
1933	0
1932	0
1931	0
1930	0
1929	0
1928	0
1927	0
1926	0
1925	0
1924	0
1923	0
1922	0
1921	0
1920	0
1919	0
1918	0
1917	0
1916	0
1915	0
1914	0
1913	0
1912	0
1911	0
1910	0
1909	0
1908	0
1907	0
1906	0
1905	0
1904	0
1903	0
1902	0
1901	0
1900	0

Sales Volumes

	1998	1997	1996
Styrenics (including EPS)	1,055	900	750
Polystyrene (including EPS)	155	155	155
Total	1,210	1,055	900

1998 Performance

In 1998, NOVA Chemicals' Styrenics business posted a net loss of \$35 million, a \$3 million improvement over 1997 levels, despite a four cent or 9% decline in weighted average benchmark polystyrene prices. To offset the negative effect of these prices, the Styrenics business implemented new marketing strategies targeted at higher margin products and customers. The Styrenics business also successfully reduced unit fixed costs by 18% in 1998, largely as a result of its restructuring efforts.

Due to record low prices in Asia in 1998, NOVA Chemicals proactively reduced polystyrene sales outside of North America. As a result, sales volumes were flat year-over-year. In 1998, EPS producers in Asia exported large volumes of product into North America at low prices. North American EPS prices fell an average of four cents per pound in 1998.

In early 1999, a technology upgrade and plant expansion was completed at NOVA Chemicals' Sarnia styrene plant. Capacity increased from 600 million pounds to 950 million pounds. A complete retrofit of the plant occurred, including the installation of a new ethylbenzene unit. As a result, unit operating costs are targeted to improve to first quartile levels. Our environmental performance at the site is also expected to improve to industry leading levels.

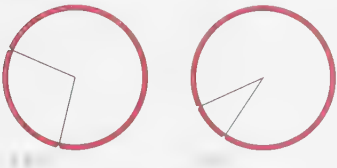
To further reduce costs and better position operations for improved performance in 1999, the Styrenics business implemented improvement initiatives in the areas of logistics, purchasing and information technology.

1999 Operations - Styrenics Acquisition

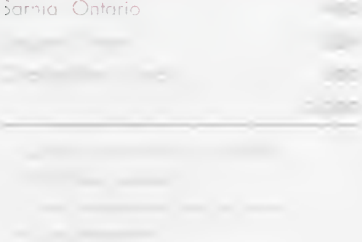
Financial results from the Styrenics business have recently been poor, largely due to record low industry prices. However, during peak pricing periods, the business has earned greater than a 50% after-tax return on capital employed. Market conditions for polystyrene are expected to improve in 1999 as demand for polystyrene is expected to grow at a rate of more than twice GDP.

NOVA Chemicals chose to strengthen its Styrenics business in 1998 with the \$783 million acquisition of approximately 1.3 billion pounds of styrene capacity, 1.8 billion pounds of polystyrene capacity and significant technological capabilities (the Huntsman styrenics acquisition). We are now the largest styrenics (styrene and styrenic polymers) producer in North America, and the third-largest producer in the world. We expect to significantly improve the performance of our Styrenics business by realizing the consolidation synergies available as a result of this acquisition.

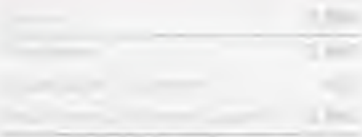
1998 Market Share (Pro Forma)
 In 1998, NOVA Chemicals acquired European styrenics businesses, vaulting worldwide with North America Global



Annual Styrene Supply (Pro Forma Huntsman Acquisition)
 (millions of pounds)
 Sarnia, Ontario



Annual Styrenics Capacity (Pro Forma Huntsman Acquisition)
 (millions of pounds)



Synergies from Styrenics Acquisition

We are targeting a total of \$65 million (after-tax) in annual synergies (\$105 million pre-tax) within the next three years as a result of this acquisition. These consist of:

- optimizing plant operations
- rationalizing product lines
- taking advantage of logistical opportunities
- leveraging purchasing power
- eliminating duplicate functions
- optimizing information technology

\$20 million (after-tax) in business improvements

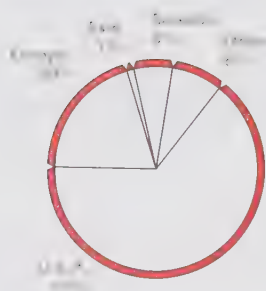
- leveraging compounding (the capability to add color and other performance characteristics to polymers) and other leading technologies
- improving product performance/consistency
- developing new products and technologies
- entering new markets and expanding product applications

To capture some of the cost reduction synergies, we announced our intent to decommission the Peru polystyrene processing units in the third quarter of 1999. NOVA Chemicals has a tolling arrangement in place with Huntsman for the supply of polystyrene from this site until decommissioning. Following decommissioning, we can increase production at other plants to cost-effectively replace this capacity.

Styrene Supply

NOVA Chemicals maintains control over its styrene feedstock costs by producing some of its internal ethylene and benzene requirements and negotiating long-term agreements for the remainder. We consume a significant portion of our styrene supply in the production of polystyrene and also market styrene to third parties in North America and Europe. The combination of low-cost styrene production and a substantial merchant market position provides NOVA Chemicals with a strong foundation for its polystyrene manufacturing operations.

The Bayport styrene facility (part of the Huntsman styrenics acquisition) is a low-cost, on-purpose styrene production facility. Our Channelview supply consists of two contracts for 400 million pounds each. The first is a long-term tolling arrangement that was created when NOVA Chemicals purchased an equity interest in Lyondell Chemicals' (then ARCO Chemical's) POSM-II plant. The second contract is a long-term tolling arrangement, also with Lyondell Chemicals, that was put in place in 1996. Lyondell Chemicals produces styrene as a co-product of its propylene oxide manufacturing process at its Channelview facilities.



Although NOVA Chemicals cannot control its most significant profit driver, product prices, it can focus on reducing controllable costs and improving margins. In 1999, NOVA Chemicals is targeting \$30 million (after-tax) of Styrenics net income improvements. These will come from cost reductions and increased sales associated with the Sarnia styrene expansion and improved manufacturing, purchasing and logistics execution. In addition, NOVA Chemicals is targeting to realize a portion of the synergies associated with the Huntsman acquisition in 1999.

Polystyrene prices depend on the global balance between product supply and demand. Demand growth is highly sensitive to growth in the global economy. Over the last 10 years, annual polystyrene demand has grown at an average rate of 1.4 times annual GDP growth. Popular consumer products and electronics have contributed significantly to rapid growth in polystyrene demand. We expect market conditions to improve for polystyrene in 1999, if demand grows at historical rates and higher-cost capacity continues to be shut down.

Based on available data, planned North American capacity additions total less than 200 million pounds of polystyrene in 1999 and less than 100 million pounds in 2000, significantly less than the projected demand growth. Also, a number of industry participants, including NOVA Chemicals, have announced plans to shut down higher-cost capacity. This is expected to result in higher plant operating rates.

equity investments NOVA Chemicals holds two equity investments: a 27.1% interest in Methanex and a 25.5% interest in Dynegy. NOVA Chemicals has announced its intent to divest its stake in Dynegy.

Average Realized Methanol Prices
(dollars per gallon)

In 1998, Methanex's realized price for methanol averaged 36 cents per gallon, down 20 cents (36%) from 1997.



Market Value of Methanex and Dynegy Investments
(millions of dollars)

Methanex and Dynegy investments were valued at \$424 million and \$424 million respectively.



Methanex Financial Highlights

	1998
Equity earnings contribution (loss)	\$ (25)
Investment in Methanex	\$ 398
Market value of investment ¹	\$ 238
Shares held by NOVA Chemicals (millions)	46.9
Percent ownership ²	27.1%

Methanex Review

NOVA Chemicals' 27.1% interest in Methanex yielded a loss of \$25 million compared to earnings of \$39 million in 1997. Methanol prices fell dramatically in 1998 to trough levels. Methanex's realized price for methanol averaged 36 cents per gallon in 1998, down 20 cents per gallon (36%) from 1997 levels.

Flat industry demand and the addition of new capacity have resulted in the lowest methanol pricing levels in a decade. In this environment, many producers are experiencing negative cash margins. High-cost methanol facilities in many parts of the world are being shut-in.

Construction of Methanex's low-cost third plant in Chile (Chile III) is progressing and commercial production is expected to commence as planned, early in 1999. When this new low-cost plant is fully operational, Methanex intends to reduce production at its higher-cost facilities.

Dynegy Financial Highlights

	1998
Equity earnings contribution	\$ 26
Investment in Dynegy	\$ 307
Market value of investment ¹	\$ 424
Shares held by NOVA Chemicals (millions)	38.8
Percent ownership ²	25.5%

Dynegy Review

NOVA Chemicals' investment in Dynegy contributed earnings of \$26 million compared to a loss of \$19 million in 1997. Results for 1997 included a one-time restructuring charge, NOVA Chemicals' share of which was \$39 million. Dynegy's 1998 income included a gain from the sale of Ozark Gas Transmission, which was partially offset by severance charges. Dynegy's total 1998 operating margin and equity earnings increased 17% for the year, led by a 91% increase in the contribution from its wholesale gas and power segment. This performance offset the lower operating margin caused by a weak pricing environment in the liquids segment.

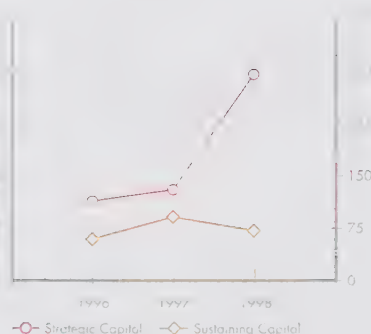
As announced on August 24, 1998, NOVA Chemicals intends to divest its Dynegy investment. We are targeting to complete this divestiture in 1999.

liquidity and capital structure In 1998, NOVA Chemicals invested a total of \$1.15 billion, largely in the styrenics acquisition and in large-scale manufacturing facilities at Joffre. In 1999, NOVA Chemicals intends to maintain its financial flexibility in order to be able to take advantage of future value-creating opportunities.

Capital Expenditures

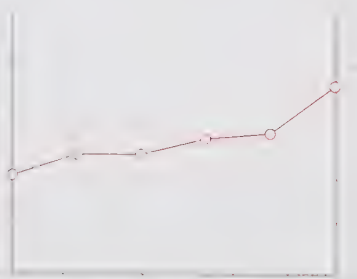
(millions of dollars)

NOVA Chemicals invested a total of \$1.15 billion in 1998, largely in the styrenics acquisition and in large-scale manufacturing facilities at Joffre.



Total Assets

(billions of dollars)



\$170 Million Generated in Funds from Operations

NOVA Chemicals generated \$170 million of funds from operations in 1998, down only 33% (\$84 million) from 1997 levels, despite an 84% (\$93 million) drop in net income from the prior year.

1998 Capital Investments and Funding of the Styrenics Acquisition

In 1998, a total of \$1.15 billion was invested by NOVA Chemicals.

- \$783 million for the Huntsman acquisition (including working capital but excluding transaction and integration costs); and
- \$367 million for capital expenditures largely to fund the construction of E3 and the new Advanced SCLAIRTECH polyethylene facility at Joffre.

Financing for these expenditures was accomplished through:

- cash flow from operations of \$198 million (including \$28 million of non-cash working capital changes);
- increasing debt by \$544 million;
- issuing \$210 million of preferred securities on October 22, 1998 which pay distributions at a rate of 9.5%; and
- issuing \$198 million of 6.95% retractable preferred shares to Huntsman. These are retractable into a maximum of 8.5 million common shares on or after April 1, 2001. If market prices result in an entitlement greater than 8.5 million shares, holders will receive the difference in preferred stock.

Estimated Strategic Capital Expenditures

Debt to Total Capitalization

In 1999, NOVA Chemicals has a budget of approximately \$500 million for capital projects. This amount reflects \$400 million related to the Joffre expansion projects, with the remainder directed to sustaining operations. In 1999, continuing capital expenditures will require NOVA Chemicals to draw on available credit under its revolving bank credit facility and to access capital markets for amounts in excess of free cash flow from operations. As a result, debt ratios may increase. The sale of NOVA Chemicals' investment in Dynegy is an important source of cash to pay down debt.

At year-end 1998, NOVA Chemicals' debt to total capitalization ratio was 45.9%. Assuming the January 26, 1999 \$172.5 million of preferred securities had been issued on December 31, 1998, the debt to total capitalization ratio would have been 39.7%. In 1999 and beyond, NOVA

Senior Debt Ratings

Senior unsecured debt

Moody's

Standard & Poor's

DBRS

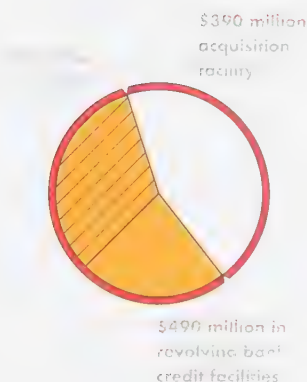
Baa2

BBB+

BBB

B+4

Committed Credit Facilities



Chemicals will target a debt to total capitalization ratio in the range of 40% for maximum financial flexibility and continued access to capital markets.

Capitalization

	Pro Forma 1998 /
	\$
	1,108
	1,685
	\$ 2,793
	39.7%
	1.5x
	5.8x

Maturities through to 2004

- A \$75 million, 270-day accounts receivable securitization program established January 15, 1999, matures October 12, 1999.
- Acquisition credit facility matures March 31, 2000.
- A \$150 million 6.5% debenture issue matures September 22, 2000.
- Revolving bank credit facility matures February 2, 2003.

Interest Expense Down in 1998

Interest expense was lower in 1998 than in 1997 due to a reduction in debt levels resulting from: cash flow from operations; receipt of cash (to be directed towards the payment of taxes) on the split-off from TransCanada on July 2, 1998; and the issuance of preferred securities in October 1998. Offsetting these decreases was additional debt associated with the Huntsman acquisition and with major construction projects. Debt related to construction totalled \$350 million at December 31, 1998. Interest on this additional debt is capitalized as a cost of construction until the plants are put into service.

For further details on interest expense and income taxes, please see notes 9 and 15, respectively, to the financial statements.

Subsequent Event: Issuing of Preferred Securities

NOVA Chemicals issued \$172.5 million of preferred securities on January 26, 1999. These securities are due in 2048 and pay distributions at a rate of 9.04%. The proceeds from these securities were used to repay bank debt.

Hedging Activities

The Audit, Finance and Risk Committee of NOVA Chemicals' Board of Directors regularly reviews foreign exchange and feedstock commodity hedging activity, ensuring it complies with NOVA Chemicals' hedging policy. Financial instruments are not used for speculative purposes and are limited to the underlying net economic exposure.

Foreign Exchange Hedging

NOVA Chemicals' net foreign exchange exposure results from virtually all of its revenues being directly or indirectly denominated in U.S. dollars, while a significant portion of its costs are

denominated in Canadian dollars. To protect itself from the negative effects of a strong Canadian dollar, NOVA Chemicals began to hedge a significant portion of its anticipated Canadian dollar costs in 1993.

Through the 1994 to 1996 time frame, the Canadian dollar traded within a narrow range around the embedded average exchange rate for the hedge portfolio. Subsequent to 1996, the Canadian dollar deteriorated significantly against the U.S. dollar.

At December 31, 1998, NOVA Chemicals had hedged approximately \$2.5 billion of anticipated Canadian dollar costs at an average exchange rate of one Canadian dollar = U.S. 74.17 cents extending to March 2003. At the Bank of Canada noon exchange rate as of December 31, 1998 of Cdn. \$1.00 = U.S. 65.34 cents, the unrealized pre-tax mark to market loss on these hedges was \$261 million. On March 4, 1999, the unrealized pre-tax mark to market loss on these hedges was \$238 million.

If NOVA Chemicals had not entered into this hedging program, after-tax earnings would have been \$33 million higher in 1998, \$11 million higher in 1997 and \$5 million lower in 1996.

Commodity Hedging and Feedstock Acquisition

NOVA Chemicals purchased approximately 55 billion cubic feet of natural gas and 28 million barrels of crude oil, natural gas liquids and condensates in 1998 to fulfil its proprietary feedstock requirements. NOVA Chemicals manages the exposure to fluctuating commodity prices on its physical feedstock requirements by varying the mix of fixed and floating price contracts and by entering into commodity futures contracts. The extent to which hedging instruments are used depends on market conditions and adherence to NOVA Chemicals' hedging policy. NOVA Chemicals limits its position in the futures market to its proprietary feedstock requirements and does not use hedging instruments for speculative purposes. On December 31, 1998, the unrealized pre-tax mark to market gain of all commodity positions was \$29 million. On March 4, 1999, the unrealized pre-tax mark to market gain of all commodity positions was \$39 million.

Dividends and Distributions

NOVA Chemicals pays dividends on its common shares on a quarterly basis, currently at the rate of Canadian \$0.10 per quarter. There are no material restrictions on NOVA Chemicals' ability to declare and pay dividends on its common shares. The declaration and payment of dividends is at the discretion of the Board of Directors of NOVA Chemicals. The Board will consider earnings, capital requirements, the financial condition of NOVA Chemicals and other relevant factors.

NOVA Chemicals pays distributions on its preferred securities on a quarterly basis, at an annual rate of 9.5% on the \$210 million issue and 9.04% on the \$172.5 million issue. NOVA Chemicals has the right to defer, from time to time, and subject to certain conditions, payment of distributions on the securities for up to 20 consecutive quarterly periods. These distributions are tax deductible.

In 1999, NOVA Chemicals will pay dividends at a rate of 6.95% on the \$198 million of retractable preferred shares related to the Huntsman acquisition. Please see note 12 to the financial statements for information related to dividend payments in 2000 and beyond.

Year 2000 update This Year 2000 Readiness Act, is entitled to

NOVA Chemicals' Year 2000 Readiness

Certain computerized hardware, process control systems, software systems and applications used by NOVA Chemicals are date sensitive and their ability to perform properly may be adversely affected by the Year 2000 issue. NOVA Chemicals has a working group, led by NOVA Chemicals' Chief Information Officer, dedicated to the Year 2000 issue. In a process that began in 1996, NOVA Chemicals continues to address the issue by preparing an inventory of all systems and equipment, analyzing risks, determining compliance levels, selecting practical remediation options and testing most implemented solutions. This approach seeks to minimize the potential risk of Year 2000 business disruption.

NOVA Chemicals (including its wholly owned subsidiaries but excluding the assets acquired through the Huntsman acquisition) is not entirely Year 2000 ready at this time, but has targeted March 31, 1999 to have virtually all high-impact business and production processes ready. NOVA Chemicals considers its high-impact systems to include those systems or processes which, upon failure, could have a material adverse impact on health and safety, the community, the environment and NOVA Chemicals' financial well-being. As of March 4, 1999, remediation work on high-impact business and production systems was approximately 85% complete. The exceptions are due to delays in receiving necessary components from vendors or a decision by NOVA Chemicals to delay some testing until the second quarter of 1999 to take advantage of scheduled plant maintenance.

NOVA Chemicals' Year 2000 project remains within its budget of \$10 million. The expenditures related to NOVA Chemicals' Year 2000 compliance programs are not expected to be material. NOVA Chemicals expects it will incur costs in connection with Year 2000 remediation, but believes that adequate provisions have been made in its financial statements for such costs.

Assessing Our Critical Suppliers and Customers

NOVA Chemicals also continues to assess the Year 2000 capabilities of customers, critical suppliers and key service providers to determine, to the extent possible, that external parties will not adversely impact NOVA Chemicals' businesses. Over 800 critical suppliers and service providers of NOVA Chemicals have been contacted and asked to provide information regarding their Year 2000 readiness planning and progress. As of March 4, 1999, NOVA Chemicals has received responses from 87% of these parties. We are now in the process of conducting telephone interviews with all suppliers who have not yet provided us with their response. Telephone interviews and on-site reviews are also being used to update information we received in the third and fourth quarters of 1998.

Year 2000 Contingency Plan

NOVA Chemicals is reviewing and modifying, if necessary, its existing emergency response plans to handle Year 2000 circumstances. Additional contingency plans are being created and enabled for all critical manufacturing and business processes, including external linkages. Our

“nuisance scenarios” to significant outages. Some of the contingency planning scenarios we are considering include electrical power disruption, impacts to transportation and communication infrastructure and disruption to the supply chain caused by key suppliers, service providers and customers. NOVA Chemicals is working collaboratively with many of its customers to determine the necessary level of support required. A specific example of the type of contingency plans considered includes maintaining on-site feedstock, product and parts inventories at sufficient levels to withstand a temporary interruption.

Huntsman Acquisition Year 2000 Readiness

Effective December 31, 1998, NOVA Chemicals acquired the majority of Huntsman’s United States and European styrenics businesses. NOVA Chemicals is currently assessing the Year 2000 readiness of these businesses and the costs of becoming Year 2000 ready with respect to business systems, manufacturing systems, suppliers and customers of the acquired styrenics businesses. Year 2000 project teams have been established and have responsibility for the Year 2000 effort for the Huntsman styrenics acquisition. July 31, 1999 has been targeted with respect to the Year 2000 readiness of high-impact systems with prioritized testing, documentation of results and contingency planning continuing throughout 1999. Costs supporting the efforts for the Year 2000 enabling of this styrenics acquisition are budgeted at \$6 million.

Summary

Although NOVA Chemicals is striving to be completely prepared, it is still possible that there will be a negative impact as a result of Year 2000 issues. Based on its progress to date, however, NOVA Chemicals believes that such impact, if any, will not have a material adverse effect on NOVA Chemicals’ business, operations or financial condition.

NOVA Chemicals is currently assessing the Year 2000 readiness (and the costs of becoming Year 2000 ready) of the companies in which it has an equity interest. If any of the costs associated with Year 2000 readiness for these partially owned entities are found to be material, NOVA Chemicals will disclose them in due course.

Consolidated Six-Year Review

(unaudited; millions of U.S. dollars, except per share amounts, ratios and miscellaneous)¹

	1998	1997	1996	1995	1994	1993
Operating Results						
Revenue	\$ 2,075	2,285	2,069	2,077	1,835	1,666
Operating income	\$ 103	229	271	510	216	73
Net income	\$ 18	111	153	354	285	46
Total Assets	\$ 3,580	2,687	2,635	2,316	2,290	1,860
Capitalization						
Current bank loans ²	\$ —	57	—	—	202	194
Long-term debt ^{2,3}	1,281	726	571	415	302	389
Shareholders' equity ⁴	1,512	1,173	1,257	1,194	1,080	503
Total Capitalization	\$ 2,793	1,956	1,828	1,609	1,484	1,086
Cash Flow Data						
Plant, property & equipment additions	\$ 367	223	175	93	110	(7)
Funds from operations	\$ 170	254	281	478	180	180
Net debt additions (repayments) ^{2,5}	\$ 486	23	50	(105)	(100)	(88)
Data Per Common Share⁶						
Net income	\$ 0.17	1.21	1.66	3.85	3.0	1.50
Common shareholders' equity at year-end ^{4,7}	\$ 12.96	12.75	13.66	12.98	8.11	3.93
Ratios						
Return on average common equity	% 1.4	9.1	12.5	36.5	45.6	9.6
Total debt to capitalization ⁵	% 45.9	40.0	31.2	25.8	40.3	11.7
Funds flow coverage of financial charges	3.8x	5.3x	7.1x	13.9x	6.9x	5.1x
Miscellaneous Data						
Employees at year-end ⁸	4,200	3,400	3,400	2,700	2,800	3,000

¹ For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = \$0.68 U.S.

² Net of cash available for debt repayment.

³ Long-term debt includes current portion of debt.

⁴ All years prior to 1998 figure are net of advances to parent and affiliates.

⁵ Net additions (repayments) include current bank loans.

⁶ Assumes 92 million common shares outstanding for comparative purposes.

⁷ 1998 assumes the retractable preferred shares were exchanged for 8.5 million common shares.

⁸ 1998 includes the addition of Huntsman employees.

Summarized Quarterly Financial Information

Three months ended (unaudited; millions of dollars, except for share data)

	March 31		June 30		September 30		December 31	
	1998	1997	1998	1997	1998	1997	1998	1997
Revenue	\$ 554	607	526	564	500	554	495	560
Operating income	\$ 49	81	9	62	29	54	16	32
Net income	\$ 17	50	(14)	41	13	39	2	(19)
Net income per share ¹	\$ 0.18	0.54	(0.15)	0.45	0.14	0.43	—	(0.21)

¹ Assumes 92 million common shares outstanding for comparative purposes.

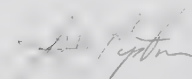
Management's Report

To the Shareholders of NOVA Chemicals Corporation:

The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA Chemicals' operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit, Finance and Risk Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit, Finance and Risk Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.



Jeffrey M. Lipton, *President and Chief Executive Officer*

March 4, 1999

Calgary, Canada



Wayne E. Lunt, *Senior Vice President and Chief Financial Officer*

Auditors' Report

To the Shareholders of NOVA Chemicals Corporation:

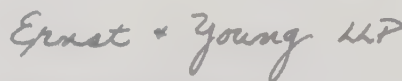
We have audited the consolidated balance sheets of NOVA Chemicals Corporation as at December 31, 1998, 1997 and 1996 and the consolidated statements of income and reinvested earnings and cash flows for each of the years in the three year period ended December 31, 1998. These financial statements are the responsibility of the management of NOVA Chemicals Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Chemicals Corporation as at December 31, 1998, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1998 in accordance with accounting principles generally accepted in Canada.

March 4, 1999

Calgary, Canada



ERNST & YOUNG LLP

Chartered Accountants

Consolidated Statement of Income and Reinvested Earnings

Year ended December 31 (millions of U.S. dollars, except per share amounts)

	1998	1997	1996
Revenue	\$ 2,075	\$ 2,285	\$ 2,069
Feedstock and operating costs	1,636	1,724	1,480
Research and development	29	28	30
Selling, general and administrative	138	144	138
Restructuring charge (note 14)	18	—	—
Depreciation	151	160	150
	1,972		
Operating income	103	229	271
Interest expense (note 9)	(46)	(56)	(45)
Equity in earnings of affiliates (note 6)	1	18	18
Other	2	(5)	(5)
	(43)	(43)	(32)
Income before income taxes	60	186	239
Income taxes (note 15)	(42)	(75)	(86)
Net income	18	111	153
Reinvested earnings, beginning of year	804	802	690
Preferred securities issue costs	(7)	—	—
Merger-related transaction costs and adjustments (note 1)	(7)	—	—
Elimination of intercompany advances to parent on amalgamation (note 18)	(167)	—	—
Common share dividends	(12)	(109)	(41)
Preferred securities distributions	(2)	—	—
Reinvested earnings, end of year	\$ 627	\$ 804	\$ 802
Average number of common shares outstanding (millions)	92	92	92
Net income per share	\$ 0.17	\$ 1.21	\$ 1.66

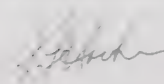
See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31 (millions of U.S. dollars)

	1998	1997	1996
Assets			
Current assets			
Cash and cash equivalents	\$ 37	\$ —	\$ 164
Receivables (note 4)	348	301	228
Inventories (note 5)	280	207	269
Advances to parent and affiliates (note 18)	—	175	73
	665	683	734
Investments and other assets (note 6)	733	780	746
Plant, property and equipment, net (note 7)	2,182	1,224	1,155
	\$ 3,580	\$ 2,687	\$ 2,635
Liabilities and Shareholders' Equity			
Current liabilities			
Bank loans	\$ —	\$ 57	\$ —
Accounts payable and accrued liabilities (note 8)	473	253	269
Long-term debt: installments due within one year (note 9)	17	36	37
	490	346	306
Long-term debt (note 9)	1,280	690	698
Long-term debt to affiliate (note 18)	—	66	66
Deferred credits (note 10)	298	237	235
	2,068	1,339	1,305
Shareholders' Equity			
Preferred securities (note 11)	210	—	—
Retractable preferred shares (note 12)	198	—	—
Common shares (note 13)	492	491	491
Contributed surplus	—	14	14
Cumulative translation adjustment	(15)	39	23
Reinvested earnings	627	804	802
	1,512	1,348	1,330
Contingencies and commitments (notes 9 and 19)			
	\$ 3,580	\$ 2,687	\$ 2,635

On behalf of the Board:



Kerry L. Hawkins, Director



Jeffrey M. Lipton, Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31 (millions of U.S. dollars)

	1998	1997	1996
Operating Activities			
Net income	\$ 18	\$ 111	\$ 153
Depreciation	151	160	150
Deferred income taxes	2	1	(4)
Equity in earnings of affiliates	(1)	(18)	(18)
Funds from operations	170	254	281
Changes in non-cash working capital (note 16)	28	(27)	(158)
Cash from operations	198	227	123
Investing Activities			
Huntsman acquisition (note 3)	(783)	—	—
Proceeds on sale of assets	—	11	—
Plant, property and equipment additions	(367)	(223)	(175)
Long-term investments and other assets	(6)	(7)	(20)
Changes in non-cash working capital (note 16)	—	18	—
	(1,156)	(201)	(195)
Financing Activities			
Increase (decrease) in current bank loans	(57)	57	(8)
Huntsman acquisition debt financing	585	—	—
Long-term debt repaid	(36)	(34)	(35)
Long-term debt additions	10	—	257
Preferred securities issued	203	—	—
Retractable preferred shares issued	198	—	—
Preferred securities distributions	(2)	—	—
Common share dividends	(12)	(109)	(41)
Intercompany and other	24	(104)	(39)
Changes in non-cash working capital (note 16)	82	—	—
	995	(190)	134
Increase (decrease) in cash and cash equivalents	37	(164)	62
Cash and cash equivalents, beginning of year	—	164	102
Cash and cash equivalents, end of year	\$ 37	\$ —	\$ 164

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(all amounts in U.S. dollars unless otherwise noted)

Note 1

Basis of Presentation

On July 2, 1998, NOVA Corporation was split off as an independent, publicly traded, commodity chemical company following the merger of NOVA Corporation and TransCanada PipeLines Limited. All amounts presented relating to the period prior to July 2, 1998 represent NOVA Chemicals Ltd., which accounted for approximately 99% of the ongoing assets and revenues of NOVA Corporation as at July 2, 1998. On January 1, 1999, NOVA Corporation and NOVA Chemicals Ltd. amalgamated and the resulting corporation adopted the name NOVA Chemicals Corporation ("NOVA Chemicals" or the "Corporation").

The majority of the pricing for NOVA Chemicals' products and feedstocks and a portion of other costs are set in U.S. dollars. In addition, the majority of NOVA Chemicals' competitors report results in U.S. dollars. Accordingly, beginning with the third quarter of 1998, NOVA Chemicals is reporting its financial results in U.S. dollars while continuing to follow Canadian generally accepted accounting principles (GAAP). For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = \$0.68 U.S., except for reported fair market values which were converted at the rates in effect on the relevant dates.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the accounts of its joint ventures. They have been prepared by management on the historical cost basis in accordance with GAAP. These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described in Note 22, "United States Accounting Principles". All amounts are reported in U.S. dollars unless otherwise indicated.

Note 2

Summary of Significant Accounting Policies

Cost-of-Service

Under the terms of certain sales agreements, the Corporation sells ethylene on a take-or-pay basis, for a price determined by a cost-of-service formula that includes cost of feedstock and fuel, operating expenses, depreciation, income taxes, return on capital and realized foreign exchange gains or losses in respect of debt service. The return on capital includes a 20% after-tax return on equity based on a deemed debt to equity ratio.

Cash and Cash Equivalents

NOVA Chemicals' short-term investments are considered to be cash equivalents and are recorded at cost, which approximates current market value.

Foreign Currency Translation

The Corporation's foreign operations are considered self-sustaining and are translated into Canadian dollars using the current rate method. Resulting translation gains or losses are deferred in a separate component of common shareholders' equity entitled "Cumulative Translation Adjustment" until there is a realized reduction of the investment in the foreign operations. Foreign-denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange. For ethylene cost-of-service operations, the exchange differential is recoverable from customers and is reported as a reduction in or addition to the associated long-term monetary item. For non-cost-of-service operations, the unrealized translation gains or losses are deferred and amortized on a straight-line basis over the remaining lives of the related items.

Hedging Activity

The Corporation enters into forward contracts and options to reduce its exposure to changes in feedstock prices or foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions mature. They offset the effects of changes in commodity purchase prices or foreign exchange gains or losses on foreign cash flow.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

Investments

Investments in affiliates in which the Corporation exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments are carried at cost.

Joint Ventures

NOVA Chemicals applies the proportionate consolidation method of accounting for its investments in joint venture operations. A joint venture is an economic activity in which NOVA Chemicals and its co-venturers have agreed to jointly share, on a continuing basis, the power to determine the venture's strategic operating, investing and financing policies. Under the proportionate consolidation method, NOVA Chemicals records, on a line-by-line basis within its financial statements and notes, its pro rata share of the joint venture's assets, liabilities, revenues, expenses and cash flows.

Plant, Property and Equipment (PP&E)

NOVA Chemicals' PP&E consists primarily of manufacturing equipment, land and buildings for producing petrochemicals. PP&E is carried at cost and financing costs incurred during major construction are capitalized as part of the cost of the asset. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when such costs can be reasonably determined.

Depreciation

Plant and equipment are depreciated on a straight-line basis at annual rates averaging 7%. In 1998, the useful life estimates for certain assets were changed from six years to 15 years. The impact of this change in estimated useful lives reduced depreciation expense by \$10 million in 1998. These rates are designed to write these assets off over their estimated useful lives. The Alberta ethylene plants and the hydrogen plant are depreciated over the lives of the related sales agreements.

Income Taxes

Cost-of-service activities operate under billing structures that allow NOVA Chemicals to recover related income tax costs from customers based on the taxes payable method. NOVA Chemicals records income tax expenses on these operations equal to recoverable amounts. For non-cost-of-service operations, the deferral method of tax allocation accounting is followed.

Pension Plans

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services and is expensed as the employees provide services. It reflects management's best estimates of the expected investment yields, salary escalations, mortality rates, terminations and members' retirement ages. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups. The adjusted market value of pension plan assets is determined based on a four-year moving average of pension plan asset market values.

Note 2*continued**Post-Retirement Benefits other than Pensions*

NOVA Chemicals provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement benefit costs are expensed as the employees provide services.

Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Note 3*Huntsman
Acquisition*

On December 31, 1998, NOVA Chemicals acquired the majority of Huntsman Corporation's ("Huntsman") U.S. and European styrenics businesses, excluding Huntsman's North American expandable polystyrene business, (the "Huntsman Acquisition") for \$783 million (\$637 million plus Huntsman's book value for working capital of \$146 million). The value of \$113 million assigned to working capital by NOVA Chemicals differs from Huntsman's book value due to differences in accounting policies.

The acquisition has been accounted for using the purchase method of accounting. The purchase price has been allocated, on a preliminary basis, subject to future amendment, as follows:

(millions of dollars)

Net assets acquired at assigned values		
Current assets	\$	183
Current liabilities		(70)
Plant, property and equipment		774
Other assets		12
Deferred income taxes and other liabilities		(57)
	\$	842
Consideration		
Retractable preferred shares (note 12)	\$	198
Cash		585
		783
Transaction and integration costs		59
	\$	842

The following are unaudited pro forma consolidated results of operations for 1998 and 1997, assuming the Huntsman acquisition had taken place at the beginning of each of 1998 and 1997:

(millions of dollars, except per share amounts)

	Pro Forma 1998	Pro Forma 1997
Revenue	\$ 2,785	\$ 3,048
Net income (loss)	\$ (3)	\$ 87
Net income (loss) per share	\$ (0.32)	\$ 0.66

This unaudited pro forma information does not purport to be indicative of the results that actually would have been obtained if the operations were combined during the periods presented, and is not intended to be a projection of future results or trends. This information does not reflect cost savings that management believes will be realized primarily through rationalization of operations and logistics and economies of scale.

Note 4

<i>Receivables</i>	<i>December 31 (millions of dollars)</i>	1998	1997	1996
Trade		\$ 312	\$ 281	\$ 218
Other		44	23	18
		356	304	236
Less allowance for doubtful accounts		(8)	(3)	(8)
		\$ 348	\$ 301	\$ 228

In 1996, NOVA Chemicals sold a portion of its trade receivables to certain financial institutions on a revolving basis subject to certain limits. Trade receivables sold at December 31, 1996 were \$70 million. In 1997, this program was discontinued.

Note 5

<i>Inventories</i>	<i>December 31 (millions of dollars)</i>	1998	1997	1996
Materials and supplies		\$ 27	\$ 26	\$ 27
Raw materials		123	71	86
Finished goods		130	110	156
		\$ 280	\$ 207	\$ 269

Note 6

<i>Investments and Other Assets</i>	<i>Year ended December 31 (millions of dollars)</i>					
	Investment	1998 Equity Earnings (Losses)	Investment	1997 Equity Earnings (Losses)	Investment	1996 Equity Earnings (Losses)
Equity investments						
Methanex ¹	\$ 398	\$ (25)	\$ 422	\$ 39	\$ 370	\$ (10)
Dynegy ¹	307	26	277	(19)	284	28
Other	10	—	8	(2)	11	—
NOVA Gas						
International (note 18)	—	—	66	—	66	—
Other assets	18	—	7	—	15	—
	\$ 733	\$ 1	\$ 780	\$ 18	\$ 746	\$ 18

¹ Equity earnings include NOVA Chemicals share of Dynegy asset write-down of \$39 million in 1997 and Methanex asset write-down of \$22 million in 1996.

Methanex Corporation

NOVA Chemicals owns 27.1% of Methanex as at December 31, 1998 (December 31, 1997 – 26.7% and December 31, 1996 – 24.8%). Methanex produces and markets methanol. The market value of NOVA Chemicals' investment in Methanex shares at December 31, 1998 was approximately \$238 million (1997 – \$373 million and 1996 – \$427 million).

The following is summarized financial information for Methanex.

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue	\$ 721	\$ 1,223	\$ 877
Operating expenses and depreciation	\$ 811	\$ 987	\$ 787
Net income (loss) ¹	\$ (68)	\$ 190	\$ (7)
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Current assets	\$ 570	\$ 815	\$ 623
Property, plant and equipment and other assets	1,141	1,104	1,026
Current liabilities	(116)	(198)	(120)
Long-term liabilities	(576)	(560)	(494)
Shareholders' equity	\$ 1,019	\$ 1,161	\$ 1,035

¹ The 1996 net loss includes an \$86 million after-tax write-down of plant carrying values.

Dynegy

NOVA Chemicals owns 25.5% of Dynegy (formerly NGC) as at December 31, 1998 (December 31, 1997 – 25.7% and 1996 – 25.8%). Dynegy is a leading gatherer, processor, transporter and marketer of energy products in the United States.

The market value of NOVA Chemicals' investment in Dynegy's shares at December 31, 1998 was approximately \$424 million (1997 – \$680 million and 1996 – \$902 million). The following is summarized financial information for Dynegy.

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue	\$ 14,258	\$ 12,594	\$ 6,735
Operating expenses and depreciation	\$ 14,138	\$ 12,330	\$ 6,459
Net income (loss) ^{1,2}	\$ 108	\$ (69)	\$ 105
<i>December 31 (millions of dollars)</i>			
	1998	1997	1996
Current assets	\$ 2,094	\$ 2,154	\$ 1,804
Property, plant and equipment and other assets ²	3,139	2,488	2,056
Current liabilities	(1,877)	(1,904)	(1,436)
Long-term liabilities	(2,024)	(1,561)	(1,423)
Redeemable preferred shares	(200)	(194)	–
Shareholders' equity ²	\$ 1,132	\$ 983	\$ 1,001

¹ The net loss for 1997 includes a restructuring charge of \$132 million (after-tax) relating primarily to Dynegy's natural gas liquids and crude oil business.

² These amounts have been adjusted to conform with Canadian accounting principles.

Purchase Price Excess

The cost of certain investments exceeded NOVA Chemicals' share of their underlying net book values at their acquisition dates. At December 31, the unamortized purchase price excesses were as follows:

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Dynegy ¹	\$ 32	\$ 34	\$ 35
Methanex ²	\$ 99	\$ 112	\$ 114

¹ The purchase price excess is allocated to goodwill and amortized over 20 years at the rate of \$2 million per year.

² The purchase price excess is allocated to plant, property and equipment and is amortized over 20 years at the rate of \$7 million per year.

Other Assets

Other assets are mainly composed of deferred debt issue costs which are being amortized on a straight-line basis over the terms of the related debt instruments.

Petrochemicals Joint Ventures

As at December 31, 1998 and 1997, NOVA Chemicals owns a 50% interest in an ethylene plant (E3) and a 20% interest in a cogeneration facility located at Joffre, Alberta. Both facilities are currently under construction with completion dates in the year 2000. The amounts included in plant under construction for these facilities is \$167 million at December 31, 1998.

As at December 31, 1998, 1997 and 1996, NOVA Chemicals owns a 20% interest in the Cochin pipeline and associated infrastructure, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States; a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership; and a 33.3% interest in an ethane gathering system in Alberta. As at December 31, 1998 and 1997, NOVA Chemicals owns a 50% interest in NOVA-Borealis Compounds LLC, which manufactures wire and cable polyethylene products for sale in North and South America. During 1997, NOVA Chemicals sold its 100% interest in Chemical Research and Licensing Company, the principal asset of which was a 50% interest in a Catalytic Distillation Technologies Partnership.

Note 7

<i>Plant, Property and Equipment</i>	<i>December 31 (millions of dollars)</i>	1998	1997	1996
Plant and equipment		\$ 2,956	\$ 2,211	\$ 2,096
Land		26	18	15
Under construction		419	206	112
		3,401	2,435	2,223
Accumulated depreciation		(1,219)	(1,211)	(1,068)
Net book value		\$ 2,182	\$ 1,224	\$ 1,155

Note 8

<i>Accounts Payable and Accrued Liabilities</i>	<i>December 31 (millions of dollars)</i>	1998	1997	1996
Accounts payable				
Trade		\$ 184	\$ 178	\$ 138
Other		25	44	40
		209	222	178
Accrued liabilities				
Interest		13	15	13
Site cleanup and restoration		3	4	3
Dividends		6	—	—
Other ¹		155	23	44
		177	42	60
Income taxes payable (receivable)		87	(11)	31
		\$ 473	\$ 253	\$ 269

¹ Includes accruals related to Huntsman acquisition (see note 3) and also includes accruals related to the restructuring charge (see note 14).

Note 9

Long-Term Debt	December 31, (millions of dollars)	1998			1997			1996	
		Maturity	Debt	Average Interest Rate	Debt	Average Interest Rate	Debt	Average Interest Rate	
Ethylene Plants E1 and E2	1998 to 2004	\$ 94	6.2%	\$ 131	6.4%	\$ 162	6.4%		
Foreign currency exchange differential recoverable from customers through the contractual billing process		(17)		(16)		(15)			
		77		115		147			
Huntsman acquisition facility	2000	390	5.9%	—	—	—	—		
Unsecured debentures and notes	2000 to 2028	625	7.1%	608	7.1%	583	7.1%		
Unsecured loans	2000 to 2003	205	6.4%	—	—	—	—		
Other		—		3		5			
		1,297		726		735			
Less instalments due within one year		(17)		(36)		(37)			
		\$ 1,280		\$ 690		\$ 698			

Huntsman Acquisition Facility (unsecured)

Financing for the Huntsman acquisition was provided through a syndicate of lenders. Interest on the facility is at a variable LIBOR (London Inter-Bank Offer Rate) based rate. The facility is due March 31, 2000. Net proceeds from any sale of the Corporation's investment in Dynegy must be applied to any borrowings under this facility.

Ethylene Plants: E1 and E2

Effective February 25, 1997, the secured financing on the ethylene plants was replaced by an unsecured facility. The replacement facility is repayable under an amortization schedule concurrent with the expiry of the original 20-year fixed

Note 9

continued

term cost-of-service ethylene sales contracts. Final instalment for the E1 portion of the loan was December 1998, and for the E2 portion of the loan is June 2004.

Unsecured Debentures and Notes

These financings consist of unsecured borrowings which rank pari passu in all respects with other unsecured and unsubordinated debt of the Corporation. The 5-year \$150 million 6½% notes are due in September 2000 and the 10-year \$100 million 7% notes are due in September 2005. The 30-year \$100 million 7⅞% debentures due in 2025 are not redeemable prior to September 15, 2005. On or after such date, the debentures may be redeemed at the option of the Corporation under terms and conditions of the Trust Indenture they were issued under. The 30-year \$150 million 7% debentures due 2026 and the 32-year \$125 million 7¼% debentures due 2028 are redeemable at the option of the holders in 2003 and 2008, respectively.

Repayment Requirements

Repayment requirements in respect of long-term debt for the five years following December 31, 1998 are: 1999 – \$17 million, 2000 – \$557 million, 2001 – \$17 million, 2002 – \$17 million, and 2003 – \$222 million.

Unsecured Loans

At December 31, 1998, NOVA Chemicals had a committed credit facility from a syndicate of Canadian banks of \$490 million (Cdn. \$750 million). The credit facility allows unsecured borrowings at floating rates under a revolving credit line with 364-day renewable revolving periods. At the end of each 364-day period, either the banks or NOVA Chemicals may elect to convert the amounts outstanding under the facility into a four-year term loan. Drawings under this facility, as at December 31, 1998, were \$205 million.

Interest Expense

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Interest on long-term debt	\$ 51	\$ 51	\$ 30
Interest on long-term debt to affiliate	3	5	5
Interest on short-term debt	5	3	11
Other	1	—	—
Gross interest expense	60	59	46
Interest capitalized during plant construction	(12)	—	—
Interest income	(2)	(3)	(1)
Interest expense (net)	\$ 46	\$ 56	\$ 45

Note 10

Deferred Credits

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Deferred income taxes	\$ 194	\$ 161	\$ 157
Pension and post-retirement benefit obligations	53	30	20
Site cleanup and restoration	39	34	38
Other	12	12	20
	\$ 298	\$ 237	\$ 235

Note 11

Preferred Securities

On October 22, 1998, NOVA Chemicals issued \$210 million of preferred securities due December 31, 2047. The securities are redeemable by the Corporation at any time on or after October 22, 2003. Distributions on these securities are payable at an annual rate of 9½% and are deductible for tax purposes by the Corporation. The after-tax amount of the distributions is charged to reinvested earnings. The Corporation may, subject to certain conditions, elect to defer distributions for a period of up to 20 consecutive quarters.

Note 11

continued

The Corporation may elect to pay the maturity amount, the redemption amount and the deferred distributions by delivering to a trustee, preferred shares, common shares or other equity securities of NOVA Chemicals. The trustee would then sell the delivered securities and pay cash to the holders of the preferred securities. The principal amount has been classified as equity as the Corporation has the unrestricted ability to settle the amount by issuing its own equity securities.

Note 12

Retractable Preferred Shares

In connection with the Huntsman Acquisition, a subsidiary of the Corporation issued retractable preferred shares for \$198 million on December 31, 1998 (see note 3). Dividends are cumulative and are at the following rates:

December 31, 1998 to March 31, 2001	6.95%
April 1, 2001 to March 31, 2002	5.95%
April 1, 2002 and thereafter	2.00%

The shares are redeemable by the subsidiary on or after January 1, 2004. The shares are retractable by holders of the shares into common shares of NOVA Chemicals on or after April 1, 2001. Accordingly, the shares have been recorded as a component of shareholders' equity. The number of common shares to be issued will be based on market prices to a maximum of 8.5 million shares.

If holders would be entitled, based on the market-based exchange rate, to receive more than the maximum 8.5 million shares, they would receive the difference in NOVA Chemicals preferred stock.

Note 13

Common Shares

a) Authorized

Unlimited number of voting common shares without par value.

b) Issued and Outstanding

Changes in common share capital during 1998, 1997 and 1996 are summarized below:

(millions of dollars, except number of shares)	1998		1997		1996	
Beginning of year	13,000,008	\$ 491	13,000,008	\$ 491	13,000,006	\$ 491
For acquisition ¹	—	—	—	—	2 ¹	—
July 2	13,000,008	491				
Reporting entity change ²	92,075,820	491	—	—	—	—
For director compensation	6,600	—	—	—	—	—
For cash on exercise of stock options	70,299	1	—	—	—	—
End of year ³	92,152,719	\$ 492	13,000,008	\$ 491	13,000,008	\$ 491

¹ On June 30, 1996, NOVA Chemicals Ltd. issued common shares to acquire from NOVA Corporation all of the outstanding common shares of Novamerica Investments Ltd. The acquisition was accounted for under the continuity of interests method.

² On July 2, 1998, NOVA Corporation (now NOVA Chemicals Corporation) replaced NOVA Chemicals Ltd. as reporting entity. Accordingly, the number of common shares outstanding at July 2 represents the number of NOVA Corporation common shares outstanding on that date (see note 1).

³ Stated common share capital for legal purposes at December 31, 1998 is \$1,936 million.

c) Shares Reserved for Future Issue

December 31 (number of shares)	1998
Under the stock option plan ¹	8,929,701
Under the director compensation plan	47,800
	8,977,501

¹ Under the incentive stock option plan, options are outstanding to officers and employees to purchase 5,566,918 shares at prices ranging from \$12.603 to \$30.75 per share with expiration dates between February 27, 1999 and July 2, 2008. A total of 3,362,783 shares are reserved but unallocated.

Note 13
continued
d) Options

	Number of Shares	Exercise Prices	Weighted Average Exercise Prices
Outstanding at July 2, 1998 ¹	3,977,028	\$11.356 – \$26.346	\$ 20.684
Granted	1,691,350	\$24.950 – \$30.750	\$ 29.594
Exercised	(70,299)	\$11.356 – \$21.225	\$ 13.987
Cancelled	(31,161)	\$18.376 – \$30.750	\$ 26.387
Outstanding at December 31, 1998	5,566,918	\$12.603 – \$30.750	\$ 23.444

¹ On July 2, 1998, as part of the merger of NOVA Corporation and TransCanada PipeLines Limited all options outstanding under the NOVA Corporation Stock Option Plan were cancelled and replaced with options issued under the TransCanada PipeLines Limited Stock Option Plan and options issued under NOVA Chemicals Stock Option Plan.

There were 3,089,586 shares exercisable at December 31, 1998. The weighted average remaining contractual life of these options is seven years. Options may be exercised over a 10-year period and generally 25% of the options vest at the grant date with further vesting of 25% for each of the next three years.

e) Shareholder Rights Plan

In May 1994, NOVA's shareholders approved a shareholder rights plan where one right was issued for each outstanding common share and these rights were maintained for NOVA Chemicals' shareholders after the split-off. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a takeover bid for NOVA Chemicals' common shares, or until a person acquires 15% or more of NOVA Chemicals' common shares. The plan expires in May 1999.

Note 14
Restructuring Charge

In July 1998, NOVA Chemicals recorded a restructuring charge of \$18 million (before-tax). The charge primarily resulted from a reduction of the workforce in the Styrenics business.

Note 15
Income Taxes

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

Year ended December 31 (millions of dollars)	1998	1997	1996
Income before income taxes	\$ 60	\$ 186	\$ 239
Statutory income tax rate	44.62%	44.62%	44.62%
Computed income tax expense	\$ 27	\$ 83	\$ 107
Increase (decrease) in taxes resulting from:			
Manufacturing and processing deduction	(2)	(11)	(13)
Higher (lower) effective foreign tax rates	(1)	(7)	(14)
Non-taxable equity in earnings of affiliates	–	(9)	(8)
Non-provision of deferred income taxes on cost-of-service operations ¹	15	14	15
Other	3	5	(1)
	\$ 42	\$ 75	\$ 86
Current income taxes	\$ 40	\$ 74	\$ 90
Deferred income taxes	2	1	(4)
	\$ 42	\$ 75	\$ 86

¹ For certain petrochemical operations, agreements for certain cost-of-service operations provide for the recovery of income taxes from customers. The Corporation records income tax expense on these operations equal to the amounts recoverable under the agreements, and therefore there is no effect on net income. Some agreements limit the recoverable amount to current taxes payable. Accordingly, the provision for income taxes excludes deferred income tax recoveries relating to these operations. Cumulative unrecorded deferred income taxes payable amounted to \$31 million at December 31, 1998 (\$46 million at December 31, 1997; \$60 million at December 31, 1996).

Note 15

continued

The principal timing difference in calculating deferred income taxes, for both cost-of-service and non-cost-of-service operations, relates to deductions for tax purposes in respect of plant, property and equipment in excess of depreciation provided for in the accounts.

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Income before taxes			
Canada	\$ 34	\$ 172	\$ 132
Foreign	26	14	107
	\$ 60	\$ 186	\$ 239
Current income taxes			
Canada	\$ 36	\$ 71	\$ 89
Foreign	4	3	1
	40	74	90
Deferred income taxes			
Canada	6	4	16
Foreign	(4)	(3)	(20)
	2	1	(4)
Total income taxes	\$ 42	\$ 75	\$ 86

Note 16

*Changes in
Non-Cash
Working Capital*

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Receivables	\$ (47)	\$ (73)	\$ (36)
Inventories	(73)	62	(109)
Accounts payable and accrued liabilities	220	(16)	(29)
Changes in non-cash working capital	100	(27)	(174)
Reclassification and other items not having a cash effect	10	18	16
Changes in non-cash working capital having a cash effect	\$ 110	\$ (9)	\$ (158)
These changes relate to the following activities:			
Operating activities	\$ 28	\$ (27)	\$ (158)
Investing activities	—	18	—
Financing activities	82	—	—
	\$ 110	\$ (9)	\$ (158)

Note 17

*Post-Retirement
Benefits*

Pension Plans

The Corporation's pension plans cover substantially all employees. Pensions at retirement are mainly related to years of service and remuneration during the last years of employment and the Canadian pension plans are partially indexed to inflation. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. The Corporation funds the plans using a valuation based on the projected unit credit method, and the plans' assets consist primarily of publicly traded equity and fixed income securities. The assumed future rates of return on assets and discount rates used to determine the estimated projected benefit obligations of the plans were 7.5% for 1998 and 8% for 1997 and 1996. The assumed long-term salary and wage escalation rates, including merit increases, averaged 4.5% for 1998, 5.0% for 1997 and 5.5% for 1996.

Pension expense consisted of the following:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Current service cost	\$ 12	\$ 10	\$ 8
Interest cost on projected benefit obligations	18	18	17
Expected return on assets	(18)	(20)	(16)
Net total of other components	(1)	1	1
	11	9	10
Amounts attributable to cost-of-service contracts	(1)	(1)	(1)
Net pension expense	\$ 10	\$ 8	\$ 9

The status of the pension plans is as follows:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Changes in benefit obligations			
Benefit obligation at beginning of year	\$ 243	\$ 225	\$ 220
Foreign currency exchange rate changes	(10)	—	—
Current service cost	12	10	8
Interest cost	18	18	17
Experience (gain) loss	4	8	(4)
Acquisition of Huntsman	6	—	—
Special termination benefits	7	1	—
Benefits paid	(24)	(19)	(16)
Net benefit obligation at end of year	\$ 256	\$ 243	\$ 225
Change in plan assets			
Actuarial value of plan assets at beginning of year	\$ 245	\$ 231	\$ 203
Foreign currency exchange rate changes	(9)	—	—
Actual return on plan assets	31	27	29
Employer contributions	8	6	15
Special termination benefits	1	1	—
Benefits paid	(24)	(20)	(16)
Actuarial value of plan assets at end of year	\$ 252	\$ 245	\$ 231
Surplus (deficiency) on an accounting basis	\$ (4)	\$ 2	\$ 6

One of the Corporation's pension plans has an aggregate benefit obligation of \$32 million which is in excess of the fair value of its plan assets of \$19 million. All of the Corporation's other plans have assets with fair values in excess of their accumulated benefit obligations.

The actuarial market value of plan assets is determined on a four-year moving average basis. The market value of the Corporation's pension plan assets at December 31, 1998 amounted to \$270 million (1997 – \$281 million and 1996 – \$268 million).

Post-Retirement Benefits other than Pensions

The Corporation provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement costs are funded as they are incurred. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.0% for 1998 and 5.5% for 1997 and 1996. Long-term medical inflation was assumed to be 4.5% in 1998 (1997 – 5.5% and 1996 – 5.5%) and the discount rates used to calculate the accumulated post-retirement benefit obligations were 7.5% for 1998 and 8% for 1997 and 1996. A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional \$2 million at December 31, 1998.

The Corporation accrues the cost of providing post-retirement benefits as the employees provide services. Prior to 1993, the cost of providing post-retirement benefits for employees was expensed when paid. The change to the accrual method was applied prospectively and resulted in an accumulated unrecorded obligation. This obligation is being

Note 17*continued*

recognized over the expected average remaining service lifetime of the employees, which is 15 years. At December 31, 1998, the unrecorded obligation is approximately \$10 million (1997 – \$11 million and 1996 – \$13 million).

Post-retirement benefit expense consisted of the following:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Current service cost	\$ 1	\$ 1	\$ 1
Interest cost	2	2	1
Curtailment loss	—	1	—
Net total of other components	1	1	3
	4	5	5
Amounts attributable to cost-of-service contracts	(1)	(1)	(1)
Net post-retirement benefit expense	\$ 3	\$ 4	\$ 4

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Post-retirement benefit obligation at beginning of year	\$ 19	\$ 18	\$ 18
Foreign currency exchange rate changes	(1)	—	—
Current service cost	1	1	1
Interest cost	2	2	1
Experience (gain) loss	4	(1)	(3)
Acquisitions	3	—	2
Benefits paid	(1)	(1)	(1)
Post-retirement benefit obligation at end of year	\$ 27	\$ 19	\$ 18

Note 18*Related-Party Transactions*

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Transactions during the year:			
Interest expense to parent	\$ 3	\$ 5	\$ 5

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Advances to (from) parent and affiliate:			
NOVA Corporation (parent) ¹	\$ —	\$ 177	\$ 75
NOVA Gas International ¹	—	(2)	(2)
	\$ —	\$ 175	\$ 73
Long-term debt due to affiliate:			
Note due to NOVA Gas International, bearing interest at 7.75%	\$ —	\$ 66	\$ 66

¹ The comparative balance sheets at December 31, 1997 and 1996 are the balance sheets of NOVA Chemicals Ltd. (see note 1). The advances to parent and affiliates are eliminated against shareholders' equity in the December 31, 1998 NOVA Chemicals Corporation balance sheet.

Note 19*Contingencies and Commitments*

- Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Corporation.
- The Corporation leases office space, data processing and transportation equipment under various operating leases. The minimum lease payments are approximately \$632 million in total with annual amounts of \$33 million in 1999, \$33 million in 2000, \$32 million in 2001, \$32 million in 2002, \$32 million in 2003 and \$470 million thereafter.
- In addition to the future site cleanup and restoration costs which have been accrued (see Notes 8 and 10), costs will be incurred in the future for plant sites when they are sold or are no longer used in the Corporation's operations. The liability with respect to these costs is not currently determinable.

Note 20

Segmented Information

NOVA Chemicals operates its petrochemicals business under the following principal business segments:

a) Financial Information by Business Segment

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue			
Olefins and polyolefins	\$ 1,614	\$ 1,806	\$ 1,753
Styrenics	542	564	399
Intersegment eliminations	(81)	(85)	(83)
	\$ 2,075	\$ 2,285	\$ 2,069
Depreciation			
Olefins and polyolefins	\$ 122	\$ 128	\$ 127
Styrenics	29	32	23
	\$ 151	\$ 160	\$ 150
Operating income (loss)			
Olefins and polyolefins	\$ 158	\$ 288	\$ 282
Styrenics	(37)	(48)	12
Re-engineering, computer system development and other costs	(18)	(11)	(23)
	\$ 103	\$ 229	\$ 271
Net income (loss)			
Olefins and polyolefins	\$ 61	\$ 145	\$ 163
Styrenics	(35)	(38)	(2)
Equity investments, corporate and other	(8)	4	(8)
	\$ 18	\$ 111	\$ 153
Plant, property and equipment additions			
Olefins and polyolefins	\$ 285	\$ 163	\$ 52
Styrenics	82	60	123
	\$ 367	\$ 223	\$ 175
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Assets			
Olefins and polyolefins	\$ 1,283	\$ 1,192	\$ 1,207
Styrenics	1,500	514	469
Investment in Methanex	398	422	370
Investment in Dynegy	307	277	284
Corporate and other ^{1,2}	92	282	305
	\$ 3,580	\$ 2,687	\$ 2,635

¹ Amounts include all cash and cash equivalents.

² 1997 and 1996 amounts include advances to parent and affiliates (see note 18).

Note 20
continued
b) Financial Information by Geographic Area

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue ¹			
Canada	\$ 990	\$ 1,049	\$ 1,034
United States	909	943	753
Other	176	293	282
	\$ 2,075	\$ 2,285	\$ 2,069
Export sales from Canadian operations			
United States	\$ 499	\$ 554	\$ 471
Other	91	135	110
	\$ 590	\$ 689	\$ 581
Operating income (loss) ²			
Canada	\$ 124	\$ 259	\$ 225
United States	(21)	(30)	46
	\$ 103	\$ 229	\$ 271
Equity in earnings of affiliates			
Canada	\$ (25)	\$ 39	\$ (10)
United States	26	(21)	28
	\$ 1	\$ 18	\$ 18
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Assets ²			
Canada	\$ 1,901	\$ 1,965	\$ 1,993
United States	1,463	722	642
Europe	216	—	—
	\$ 3,580	\$ 2,687	\$ 2,635

¹ Based on location of customer
² Based on location of the operating facilities
Note 21
**Financial
Instruments**
Financial Instrument Fair Values

Financial instrument fair values represent a reasonable approximation of amounts NOVA Chemicals would have received or paid to counter-parties on December 31, 1998 to unwind positions prior to maturity. At December 31, 1998, NOVA Chemicals has no plans to unwind these positions prior to maturity. The carrying amounts represent the receivable or payable recorded in the balance sheets. The carrying amounts reported in the balance sheets for cash, accounts receivable and payable, advances to parent and affiliates, long-term debt to affiliates and current bank loans approximate their fair value. NOVA Chemicals does not have a significant exposure to any individual customer or counter-party. Fair values and carrying amounts for long-term debt and derivative instruments are disclosed below.

<i>December 31 (millions of dollars)</i>	1998	1997	Carrying Amount 1996	1998	1997	Estimated Fair Value ¹ 1996
Long-term debt ²	\$ 1,297	\$ 726	\$ 735	\$ 1,306	\$ 778	\$ 788

¹ The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analysis, based on NOVA Chemicals' current incremental borrowing rates for similar borrowing arrangements.

² Includes debt instruments due within one year.

Derivatives and other Hedging Instruments

NOVA Chemicals sells petrochemical products at prices based on U.S. dollars, purchases energy commodities, invests in foreign operations and issues short- and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, commodity prices and interest rates. NOVA Chemicals manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating an offsetting position. The estimated fair values only represent the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged. NOVA Chemicals does not provide or require security on its derivative positions.

a) Foreign Exchange Risk Management

NOVA Chemicals has U.S., Canadian and European-based petrochemical operations. The selling price for products sold by these operations is established in terms of the U.S. dollar. A portion of the Corporation's expenses is established in Canadian dollars. NOVA Chemicals reduces its exposure to fluctuations in the Canadian/U.S. dollar exchange rate by using forward exchange contracts and options. The forwards and options to deliver U.S. dollars and receive Canadian dollars outstanding at December 31, 1998, maturing through 1999 to 2003, are as follows:

December 31 (millions of dollars unless otherwise noted)		1998	1997	1996
Foreign exchange forwards				
Notional amount	U.S.	\$ 2,493	\$ 2,653	\$ 2,114
Average exchange rate per U.S. dollar	Cdn.	\$ 1.35	\$ 1.34	\$ 1.34
Estimated fair value ¹	U.S.	\$ (261)	\$ (122)	\$ (2)
Carrying value	U.S.	\$ —	\$ —	\$ —
Foreign exchange options				
Notional amount	U.S.	\$ —	\$ 120	\$ 140
Average exchange rate per U.S. dollar	Cdn.	\$ —	\$ 1.38	\$ 1.36
Estimated fair value ¹	U.S.	\$ —	\$ (3)	\$ 4
Carrying value	U.S.	\$ —	\$ —	\$ —

¹ Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

b) Commodity Price Risk Management

NOVA Chemicals uses commodity futures to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements, while limiting, somewhat, the benefits of favorable short-term price movements. They are not used for speculative purposes. Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. At December 31, 1998, 1997, and 1996, the notional volume and estimated fair value of outstanding contracts for natural gas are as follows:

Note 21
continued

December 31 (millions of dollars unless otherwise noted)		1998	1997	1996
Floating to fixed price swaps				
Notional volume	mmGJ	49.7	50.4	10.2
Weighted average price/GJ	Cdn.	\$ 1.93	\$ 1.78	\$ 1.53
Estimated fair value	U.S.	\$ 19.1	\$ 8.0	\$ -
Carrying value	U.S.	\$ -	\$ -	\$ -
Term to maturity	years	1-3	1-4	1-3
Pricing basis swaps¹				
Notional volume	mmcf	41.4	57.7	29.2
Weighted average basis differential per mcf	U.S.	\$ 0.688	\$ 0.690	\$ 0.700
Estimated fair value	U.S.	\$ 11.6	\$ (8.9)	\$ -
Carrying value	U.S.	\$ -	\$ -	\$ -
Term to maturity	years	1-3	1-4	2-3
Options				
Notional volume	mmcf	13.5	10.8	-
Weighted average price/mcf	U.S.	\$ 2.61	\$ 2.04	\$ -
Estimated fair value	U.S.	\$ (1.5)	\$ (0.3)	\$ -
Carrying value	U.S.	\$ -	\$ -	\$ -
Term to maturity	years	0.25	0.25-0.75	-
Futures				
Notional volume	mmcf	-	1.5	1.4
Weighted average price/mcf	U.S.	\$ -	\$ 2.59	\$ 2.21
Estimated fair value	U.S.	\$ -	\$ (0.5)	\$ 0.2
Carrying value	U.S.	\$ -	\$ -	\$ -
Term to maturity	years	-	0.25	0.25-0.5

¹ Under the pricing basis, swaps the Corporation will pay or receive the difference between the market price for mva-Alberta gas delivery and the NYMEX market price less a fixed differential established in the contract

NOVA Chemicals also uses commodity futures, options and swaps to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and alternative feedstock transactions. Notional volumes for futures, swaps and option contracts at December 31, 1998 were 1.1 mmbbls (1997 - 2.9 mmbbls and 1996 - 0.6 mmbbls). At December 31, 1998, the estimated fair value of outstanding contracts was \$(0.2) million (1997 - \$(0.7) million and 1996 - \$(0.5) million). The term to maturity in all cases is less than one year and the carrying value is nil.

c) Credit Risk Management

Credit exposure on financial instruments arises from the possibility that a counter-party to an instrument in which NOVA Chemicals has an unrealized gain fails to perform. NOVA Chemicals only transacts with counter-parties having a minimum credit rating of A for its foreign exchange instruments and a minimum credit rating of BBB for its commodity risk management instruments. A limit on contingent exposure has been established for each counter-party based on the counter-party's credit rating. Credit exposure on commodity price risk instruments is managed through credit approval and monitoring procedures. NOVA Chemicals does not anticipate any counter-parties will fail to meet their obligations. At December 31, 1998, NOVA Chemicals' credit exposure was \$nil for foreign currency instruments (1997 - \$nil) and \$21 million (1997 - \$16 million) for commodity-based instruments.

Note 22

United States Accounting Principles

a) Reconciliation to Accounting Principles Generally Accepted in the United States

Year ended December 31 (millions of dollars)	1998	1997	1996
Net income in accordance with Canadian basis	\$ 18	\$ 111	\$ 153
Add (deduct) adjustments for:			
Equity in earnings (losses) of affiliates ¹	(4)	(2)	1
Other losses ²	—	(8)	—
Foreign exchange losses ³	(80)	(78)	(6)
Development costs ⁴	1	3	2
Inventory valuation adjustment ⁵	(1)	(3)	3
Preferred securities distribution	(2)	—	—
Arrangement costs ⁶	(27)	—	—
Income taxes ⁷	—	—	1
Prior period adjustment under Canadian GAAP ⁸	—	—	(6)
Translation of convenience adjustment ⁹	—	1	12
Other	—	(1)	1
Net income using U.S. basis	\$ (95)	\$ 23	\$ 161
Net income per share using U.S. basis	\$ (1.03)	\$ 0.25	\$ 1.75
Comprehensive income (loss) ¹⁰			
Net income (loss) using U.S. basis	\$ (95)	\$ 23	\$ 161
Unrealized foreign exchange losses on translation of self-sustaining foreign operation	(57)	(45)	(16)
Comprehensive income (loss) in accordance with U.S. basis	\$ (152)	\$ (22)	\$ 145
December 31 (millions of dollars)	1998	1997	1996
Balance sheet items in accordance with United States basis ¹¹			
Current assets	\$ 681	\$ 716	\$ 811
Investments and other assets ⁷	729	830	862
Plant, property and equipment	2,525	1,252	1,229
Current liabilities	(751)	(482)	(329)
Long-term debt			
preferred securities	(210)	—	—
other long-term debt	(1,280)	(778)	(820)
Deferred credits ⁷	(557)	(239)	(318)
Retractable preferred shares	(198)	—	—
Common shareholders' equity	\$ 939	\$ 1,299	\$ 1,435

¹ NOVA Chemicals' share of adjustments made to Methanex's and Dynegy's financial information to comply with U.S. accounting principles.

² U.S. accounting principles require impaired assets to be written down to fair market value, whereas Canadian generally accepted accounting principles ("GAAP") require assets to be written down to net recoverable amounts.

Canadian GAAP allows deferral of gains and losses on hedges of anticipated transactions. U.S. GAAP will allow deferral of these gains and losses for companies that apply FAS133. NOVA Chemicals will be required to apply this standard in 2000 for U.S. GAAP purposes, but may choose to do so earlier. NOVA Chemicals will be reviewing FAS133 to determine the impacts of application, one of which will be the elimination of this Canadian/U.S. GAAP difference. U.S. accounting principles require that all research and development costs be expensed as incurred. Canadian principles allow capitalization of development costs if certain criteria are satisfied.

U.S. accounting principles require an allocation of fixed production overhead to inventory. Canadian accounting principles allow these costs to be expensed during the period.

⁶ Under U.S. GAAP, transaction costs related to a business combination accounted for using the pooling of interests method are recognized as an expense.

U.S. accounting principles require companies to recognize deferred income taxes based on the liability method, whereas Canadian accounting principles require that the deferral method be used. Under the U.S. basis, companies are also required to record deferred income tax liabilities and long-term receivables for deferred income taxes to be collected from cost-of-service customers in future years. These amounts are not recorded under the Canadian basis.

⁸ Methanex reached a settlement with Revenue Canada in 1996 regarding the reassessment of its 1988 income tax return. Under Canadian GAAP, the settlement has been charged to prior year earnings. Under U.S. GAAP, the settlement would have been charged to current period earnings.

Beginning with the third quarter of 1998, NOVA Chemicals is reporting its financial results in U.S. dollars. All periods prior to July 2, 1998 have been restated at one exchange rate (\$1.00 Canadian = \$0.68 U.S.). Under U.S. GAAP all periods must be translated at the respective period exchange rates.

¹⁰ Accounting principles generally accepted in the U.S. require, for the year commencing January 1, 1998, the presentation of a separate statement of comprehensive income. This statement is not required under Canadian GAAP. Comprehensive net income includes all changes in equity during the period including items that are not in net income.

¹¹ U.S. accounting principles require corporate joint ventures to be accounted for using the equity method, whereas Canadian principles require proportionate consolidation of all joint ventures. The equity method does not result in any change to NOVA Chemicals' net income or shareholders' equity; however, all assets, liabilities, revenue, expenses and most cash flow items are decreased when compared with the amounts that are presented using proportionate consolidation.

b) Projected Pension Benefit Obligations (PPBOs)

United States accounting principles require the discount rate assumption for the valuation of PPBOs to be calculated based on the year-end rate for high-quality Canadian fixed income investments. This compares with the Canadian basis of accounting which uses management's best estimate of the long-term fixed income investment rate. For 1998, the U.S. basis discount rate was 6.25% compared with 7.5% using the Canadian basis. Using a 6.25% discount rate would have resulted in a \$59 million increase in the PPBOs on an accounting basis as at December 31, 1998. For 1997, the U.S. basis discount rate was 6.5% compared with 8.0% using the Canadian basis. Using a 6.5% discount rate would have resulted in a \$10 million increase in the PPBOs on an accounting basis as at December 31, 1997. For 1996, the U.S. basis discount rate was 7.5% compared with 8.0% using the Canadian basis. Using a 7.5% discount rate would have resulted in a \$5 million increase in the PPBOs on an accounting basis as at December 31, 1996.

c) Interest and Income Tax Payments

Under United States reporting rules, disclosure of third-party interest payments and income tax payments is required. Third-party interest payments were \$59 million in 1998, \$52 million in 1997 and \$35 million in 1996. Income tax payments were \$46 million in 1998, \$115 million in 1997 and \$158 million in 1996.

d) Stock-Based Compensation

Under U.S. reporting rules, the Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") requires that companies with stock-based compensation plans either recognize compensation expense based on new fair-value accounting methods or continue to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and disclose pro forma net earnings (loss) per share assuming the fair-value method had been applied. NOVA Chemicals has elected to follow APB 25 and related interpretations in accounting for employee stock options.

On July 2, 1998, as part of the merger of NOVA Corporation and TransCanada PipeLines Limited, all options outstanding under the NOVA Corporation Stock Option Plan were cancelled and replaced with options issued under the TransCanada PipeLines Limited Stock Option Plan and options issued under NOVA Chemicals Stock Option Plan.

For the 1998 year, the SFAS 123 pro forma calculation includes those options issued under NOVA Chemicals' Stock Option Plan that were granted and vested during 1998 plus NOVA Chemicals' proportionate share of options granted under the NOVA Corporation Stock Option Plan in 1995, 1996 and 1997, one quarter of which vested during 1998 (1997 – one quarter of 1995, 1996 and 1997; 1996 – one quarter of 1995 and 1996).

Options are issued at the market price on date of grant and therefore, under APB 25, no compensation expense has been recorded.

Under SFAS 123, NOVA Chemicals' pro forma net (loss) earnings for U.S. GAAP would be \$(98) million (1997 – \$22 million and 1996 – \$158 million) and primary (loss) earnings per common share would be \$(1.06) (1997 – \$0.24 and 1996 – \$1.73).

For disclosure purposes, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted in 1998, 1997 and 1996, respectively: expected dividend yield of 1%, 3% and 3%; expected volatility of 92.4%, 18.9% and 20.3%; risk-free interest rate of 4%, 5% and 6%; and expected life of 1½ years, 5 years and 5 years. The weighted average fair value of the stock options granted in 1998, 1997 and 1996 was \$5.87, \$1.65 and \$1.86 respectively.

e) Consolidated Statement of Cash Flows Presentation

Under U.S. reporting rules, the \$198 million of retractable preferred shares issued as consideration in the 1998 acquisition of the Huntsman business would not be included in the statement of cash flows.

Note 22*continued***f) U.S. Accounting Developments**

For 1999, U.S. reporting requirements will require NOVA Chemicals to apply SFAS 133. When adopted, SFAS 133 will impact the financial results of NOVA Chemicals. SFAS 133 requires that the fair value of a derivative financial instrument be presented in the balance sheet and gains and losses for a period be recognized in either the income statement or statement of comprehensive income according to its nature. The impact on NOVA Chemicals' financial statements is yet to be determined.

Note 23*Year 2000**Assessment*

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the company. In 1996, the company commenced the identification of manufacturing and computer systems that require modification or replacement. An assessment of the readiness of third parties, such as customers, suppliers and others, is ongoing.

It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Note 24*Subsequent Event*

On January 26, 1999, NOVA Chemicals issued \$172.5 million of redeemable preferred securities. These securities are due in 2048 and have a distribution rate of 9.04% (tax-deductible).



The Board of Directors of NOVA Chemicals is committed to continuing to be a leader in corporate governance practices. Today, NOVA Chemicals not only meets but generally exceeds the standards proposed by the TSE Committee and those proposed by other influential commentators on governance. As its first major series of decisions, the NOVA Chemicals' Board confirmed and put in place a strong and deeply experienced management team led by President and Chief Executive Officer Jeff Lipton, who has 34 years of successful experience in the chemical industry. NOVA Chemicals' Board of Directors brings a broad wealth of North American and international business experience to their deliberations. I would like to thank the Board on behalf of shareholders for their dedication and commitment to making NOVA Chemicals the best commodity chemical company in the world.

Ted Newall, Chairman

Dr. Frank Peter Boer

Gerald James Maier

Robert Lorne Pierce, Q.C.

Robert Emmet Dineen, Jr.

Janice Gaye Rennie, F.C.A.

Louis Yves Fortier, C.C., Q.C.

James Edward (Ted) Newall, O.C.

Kerry Lloyd Hawkins

Joseph Dale Thompson

Dr. Nicholas Pappas

Margaret Kent Witte

Jeffrey Marc Lipton

The governance of NOVA Chemicals is the responsibility of the Board of Directors and is delivered by four committees of the Board and NOVA Chemicals' Executive Leadership Team, comprised of senior management.

Since 1992, NOVA Chemicals has had a broad-reaching plan for corporate governance. With NOVA Chemicals' increasing national and international development, the directors and management have established forward-looking governance policies which are regularly evaluated and modified to ensure effectiveness.

The Board of Directors is responsible for making decisions regarding the business and affairs of NOVA Chemicals and establishes the overall policies and standards for NOVA Chemicals.

The Board of Directors and the Committees of the Board meet on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and Committee meetings.

Committees of the Board

The committees of NOVA Chemicals' Board of Directors, their mandates and membership are outlined below:

Audit, Finance and Risk

This committee monitors all aspects of NOVA Chemicals' financial activities and risk management, including the review of NOVA Chemicals' finance-related public documents. Members include: Mrs. Rennie, Ms. Witte and Messrs. Dineen, Hawkins (Chairman), Newall (ex-officio) and Thompson.

Corporate Governance

This committee is responsible for the composition, compensation and governance of the Board of Directors of NOVA Chemicals and recommends nominees for election or appointment as directors. This committee is also responsible for maintaining an effective working relationship between the Board of Directors and NOVA Chemicals' management. Members include: Ms. Witte and Messrs. Dineen, Fortier, Maier (Chairman), Newall (ex-officio) and Pierce.

Public Policy and Responsible Care®

This committee is responsible for overseeing NOVA Chemicals' safety, health and environmental management; corporate contributions; public policy matters; and the management of NOVA Chemicals' corporate reputation. Members include: Mrs. Rennie, Drs. Boer (Chairman) and Pappas and Messrs. Fortier, Newall (ex-officio) and Thompson.

Human Resources

This committee is responsible for overseeing policies and practices of NOVA Chemicals with respect to human resources. It reviews recommendations for senior executive appointments and the terms and conditions of their employment. It is also responsible for the administration of NOVA Chemicals' compensation, savings, profit-sharing and pension plans. Members include: Drs. Boer and Pappas (Chairman) and Messrs. Hawkins, Maier, Newall (ex-officio), Pierce and Thompson.

Technology

Advisory Committee

In December 1996, a Technology Advisory Committee was created to advise NOVA Chemicals on its research strategy and programs. The Technology Advisory Committee consists of two directors of NOVA Chemicals, Drs. Pappas and Boer (Co-Chair); as well as Mr. Dan Boivin, Senior Vice President and President, Olefins/Polyolefins of NOVA Chemicals; Mr. Paul Clark (Co-Chair), Vice President, Technology of NOVA Chemicals; Mr. Gerry Dyer, retired Research and Development Director, DuPont Canada Inc.; and three world-renowned research scientists: Dr. Michel Boudart, Professor, Stanford University; Dr. Musa Kamal, Professor, McGill University; and Dr. Kurt Zilm, Professor, Yale University.

Continuous improvement and a lasting competitive advantage are key to our success. To keep our focus on enhancing shareholder value, we measure our performance across all areas of our company. This includes measuring how we perform for our shareholders, with our customers, within our communities and with our employees. We call this measurement system our Balanced Scorecard.

To build these relationships and keep them strong, NOVA Chemicals uses a combination of innovative programs and strategic community investment. We also champion ongoing open and honest communications, and Responsible Care.

NOVA Chemicals' focused five-part strategy demands an accurate and detailed yardstick for measurement. To that end, the Balanced Scorecard is currently being redesigned for 1999 to reflect our overriding goal of enhanced shareholder value and to track our performance against our strategy. The revised version will appear in next year's Annual Report.

NOVA Chemicals was one of the pioneers of the Responsible Care movement when it began in 1984. We've made much progress since then, but we will continue to improve our Responsible Care performance.

Our Vision

We will be a global leader in our commitment to Responsible Care and the quality of our safety, health and environmental management systems. Our ultimate goal is to operate with *zero* incidents that result in harm to people, property or the environment. Our Responsible Care policy and principles will guide our operations and our business conduct.

Our Objectives

We will monitor our performance in key areas including health and safety in our facilities and within our communities, product life-cycle management, waste management, emissions control, risk communications and regulatory compliance. In December 1998, NOVA Chemicals retained a leading environment, health and safety consulting firm to independently assess Responsible Care management systems in place at NOVA Chemicals. The assessment concluded our Responsible Care management practices place NOVA Chemicals among the first quartile of Responsible Care companies in the chemical industry.

Leadership

Responsible Care is integral to our way of doing business and is a line accountability. Our Responsible Care Council, a company-wide leadership team that reports to the Executive Leadership Team, oversees our Responsible Care systems, processes and results.

The Future

As NOVA Chemicals continues to grow, we will continue to manage our operations and products to ensure any potential safety, health and environmental impacts are addressed for each of our processes and products at all stages of their life cycle. Through strategic management planning and implementation we will continue to take the necessary steps to protect our stakeholders and the environment.

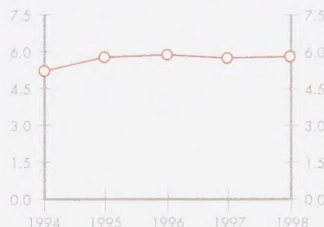
NOVA Chemicals has completed a Responsible Care Annual Report. You can access it through our website at www.novachem.com. If you do not have access to the World Wide Web, please call our office at (403) 750-3600.

Responsible Care® is a registered trademark of the Canadian Chemical Producers' Association in Canada and the Chemical Manufacturers Association in the United States.

Greenhouse Gas Emissions

(million tonnes)

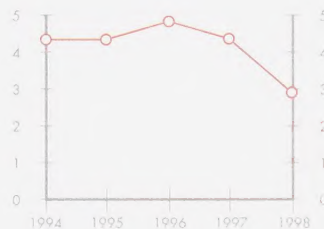
Our greenhouse gas emissions are managed through the use of energy efficient technologies (e.g., cogeneration), by dedicating resources to research development and implementation of emission reduction solutions, and through education.



Hydrocarbon Emissions

(thousand tonnes)

Reduction in our hydrocarbon emissions has been facilitated through the application of improved technology and diligence on leak detection and repair activities.



Responsible Care

Audit Performance

(percentage audit opinions substantially ensure compliance or better)

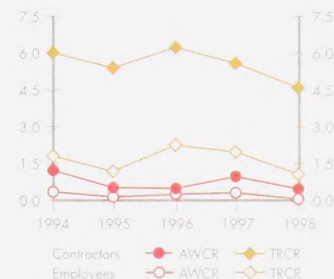
In 1998, 14 Responsible Care audits were conducted to measure our operational performance against five compliance measures. We increased our performance in the key measure, "% Above Substantially Ensures Compliance" to 53% in 1998, up 20% from 1997.¹



Injury/Illness

(no. of cases x 200,000 hrs/no. of hrs worked)

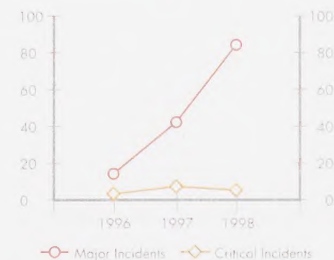
NOVA Chemicals' 1998 employee performance was fourth best for Away from Work Case Rate (AWCR)² and eighth best for Total Recordable Case Rate (TRCR)³ among the 35 peer companies participating in this performance survey.



Incidents

(no. of incidents)

Incidents are grouped into four categories depending on their health, safety and environmental impact. Critical and major incidents are the two most serious categories. The apparent increase in major incidents is due to a significant lowering of our reporting threshold in mid-1997, to provide improved data for preventive measures decision making.



¹ There are five levels of audit opinion which measure compliance with regulatory and internal health, safety and environmental requirements. "Substantially ensures" is second from the top. Since 1996 there have been 12 to 15 facility audits completed annually.

² "AWCR" (Away from Work Case Rate) represents work-related injuries/illnesses that result in individuals requiring time off work.

³ "TRCR" (Total Recordable Case Rate) represents work-related injuries/illnesses that are more serious in nature than first aid.

Annual Meeting

Shareholders are invited to attend NOVA Chemicals' annual meeting on May 14, 1999 at 10:30 a.m. at the Telus Convention Centre in Calgary, Alberta.

Shareholder Information

For inquiries on stock-related matters, including dividend payments, stock transfers and address changes, contact NOVA Chemicals toll-free at 1-800-661-8686 Monday through Friday from 8:00 a.m. to 5:00 p.m. Mountain Time or via e-mail at shareholders@novachem.com.

Transfer Agent and Registrar

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta, Canada T2P 2Z1
Phone: (403) 232-2400
Toll-Free: 1-800-387-0825
Fax: (403) 264-2100
Internet: www.cibcmellon.ca
E-mail: inquiries@cibcmellon.ca

Non-Resident Investors

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States and other countries where Canadian tax treaties apply. Consult your tax adviser.

Share Registration

NOVA Chemicals' common shares are listed on the New York, Toronto, Montréal and Alberta stock exchanges under the trading symbol "NCX". On December 31, 1998, approximately 92.1 million shares were outstanding and there were some 32,000 registered shareholders.

NOVA Chemicals' common shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal and Halifax offices of CIBC Mellon Trust Company. The common shares are also transferable at ChaseMellon Shareholder Services, New York, New York.

Rapports annuels en français

On peut obtenir un exemplaire de ce rapport en français auprès du service des affaires publiques ou du service des relations avec les investisseurs au (403) 750-3600.

Requests for

Additional Information

For copies of NOVA Chemicals' quarterly reports, or additional copies of this annual report, contact NOVA Chemicals at (403) 750-3600 or via e-mail at publications@novachem.com.

How to Contact

NOVA Chemicals

P.O. Box 2518
645 Seventh Avenue S.W.
Calgary, Alberta, Canada T2P 5C6
Telephone: (403) 750-3600
Internet: www.novachem.com
E-mail: invest@novachem.com

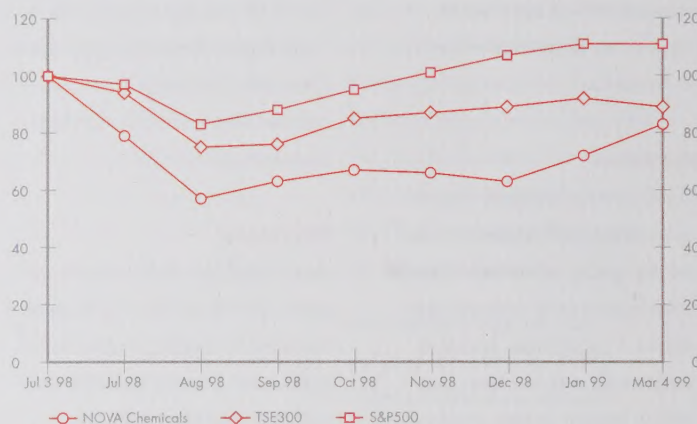
Public Affairs and

Investor Relations

(403) 750-3600

Total Return Performance

NOVA Chemicals' common shares began trading on July 3, 1998 on the Toronto Stock Exchange and other Canadian stock exchanges, and on July 6, 1998 on the New York Stock Exchange.



Total return = appreciation in share value, assuming reinvestment of dividends. Assumes \$100 invested on July 3, 1998.

NOVA Chemicals Share Price History¹

	1998
Dividends paid (Canadian dollars) ²	\$ 0.40
Market price (TSE) (Canadian dollars)	
high	\$ 30 ³ / ₄
low	\$ 17 ¹ / ₄
close	\$ 20
Market price (NYSE) (U.S. dollars)	
high	\$ 15 ¹ / ₁₆
low	\$ 11 ⁷ / ₁₆
close	\$ 13 ¹ / ₁₆
Common dividend yield	2%
Shares outstanding	
year-end (millions)	92
average (millions)	92
Shareholders at year-end (thousands)	32

¹ NOVA Chemicals was launched as an independent publicly traded company on July 2, 1998. As a result, no share price information is available prior to that date.

² The dividends shown represent dividends totalling Cdn. \$0.20 (approximately U.S. \$0.13) paid up to and including July 2, the effective date of the Arrangement. Following the Arrangement, NOVA Chemicals made its first dividend payment of Cdn. \$0.10, (approximately U.S. \$0.07) per share on November 15, 1998, and on December 3, 1998 declared the fourth quarter dividend payable at the rate of Cdn. \$0.10 (approximately U.S. \$0.07) on February 15, 1999 which will result in a dividend of Cdn. \$0.40, (approximately U.S. \$0.28) per share on an annualized basis. This dividend rate per share reflects the five for one consolidation of the shares of NOVA Chemicals arising after the Arrangement.

 **NOVA Chemicals®** is a registered trademark of NOVA Brands Ltd.; authorized use/utilisation autorisée.

ARCEL® is a registered trademark of NOVA Chemicals Inc.

DYLARK® is a registered trademark of NOVA Chemicals Inc.

DYLENE® is a registered trademark of NOVA Chemicals Inc.

DYLITE® is a registered trademark of NOVA Chemicals Inc.

GEDEXCEL® is a registered trademark of NOVA Chemicals Europe SAS.

NAS® is a registered trademark of NOVA Chemicals Inc.

NOVAPOL® is a registered trademark of NOVA Brands Ltd.; authorized use/utilisation autorisée.

SCLAIR® is a registered trademark of NOVA Chemicals Corporation in Canada and of NOVA Chemicals (International) S.A. elsewhere; authorized use/utilisation autorisée.

Advanced **SCLAIRTECH™** and **SCLAIRTECH™** are trademarks of NOVA Chemicals.

ZYLAR® is a registered trademark of NOVA Chemicals (Canada) Ltd.; authorized use/utilisation autorisée.



The text paper used in the management's discussion and analysis and financial sections of this report is recycled and contains a minimum of 20% post-consumer waste.

